

INTERNET OWNERSHIP IN GEORGIA



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INTRODUCTION

The importance of the Internet as a means of daily communication and a source of information is growing rapidly. The number of Internet users is rising and, consequently, so is the size of the Internet industry. The information obtained from the Internet becomes particularly important during electoral campaigns and could even play a decisive role against the background of the growing threat of disinformation and a low level of media literacy. In late 2019, popular social network Facebook shut down some 400 Georgian pages, groups, and accounts. According to Facebook, those pages were linked with the government and served the purpose of attacking its opponents and discrediting them.¹

Due to the strong public interest, Transparency International Georgia examined the ownership of the large operators in the fixed and mobile Internet markets and their business connections. The study also reviews the question of the population's access to the Internet.

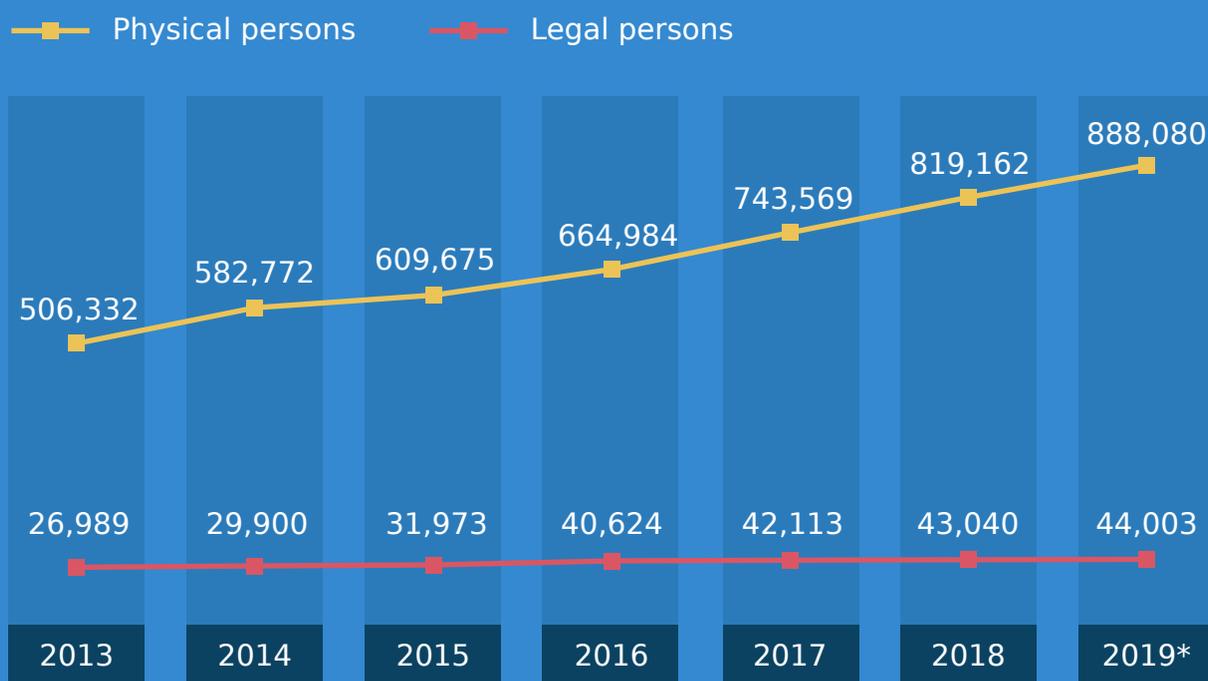
The report is based on the data published on the websites of the business registry and the Georgian National Communications Commission (GNCC), international studies, public information requested by Transparency International Georgia, and other types of open source data.

¹ Removing Coordinated Inauthentic Behavior From Georgia, Vietnam and the US, 20.12.2019, <http://bit.ly/2GnMKkm>

OVERVIEW

According to the Constitution, the right to access and freely use the Internet is a fundamental freedom.² The number of Internet users has grown every year and, consequently, the importance and influence of the Internet have been rising too. According to the GNCC's September 2019 data, the number of Internet subscribers has risen above 930,000.³

Chart 1. Number of Internet Subscribers (2013-2019)



*September

Source: The GNCC analytical website

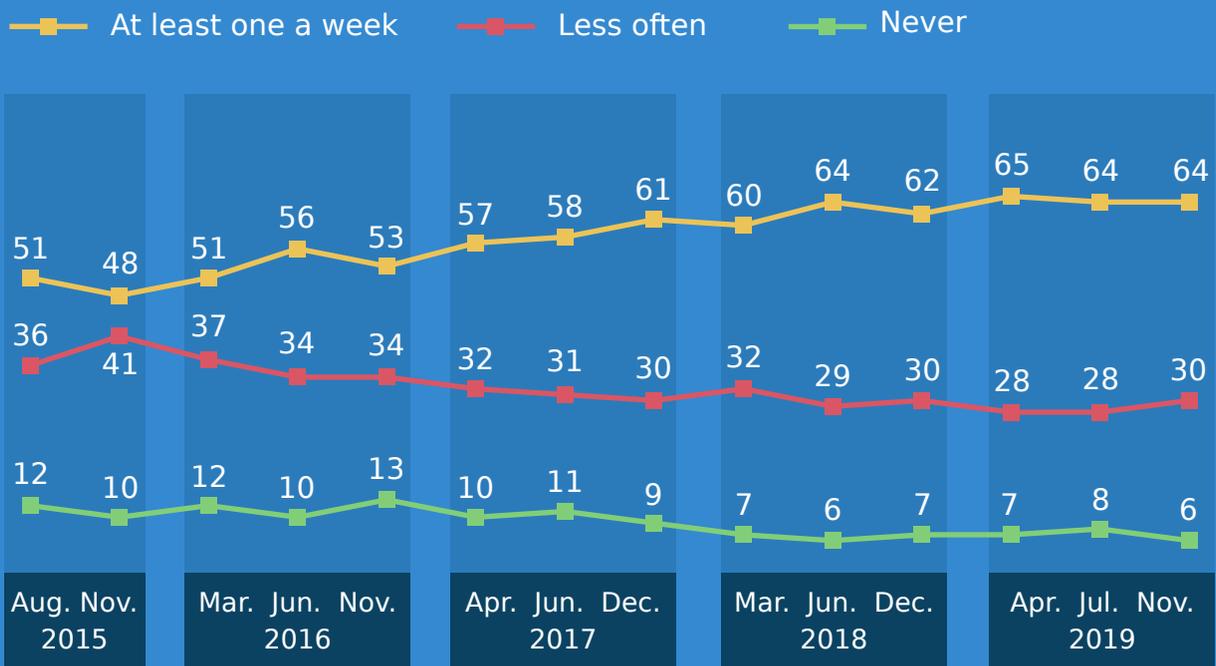
The number who use the Internet at least once a month has risen by 13 percentage points since 2015, while the number of those who do not use the Internet at all has dropped by six percentage points.⁴

² Constitution of Georgia, Article 17, Paragraph 4, <http://bit.ly/2ljggZv>

³ All types of technology are included. The number of subscribers includes both physical and legal persons.

⁴ Public Attitudes in Georgia. NDI surveys are conducted with financial support from Uk Aid and are carried out by CRRC Georgia.

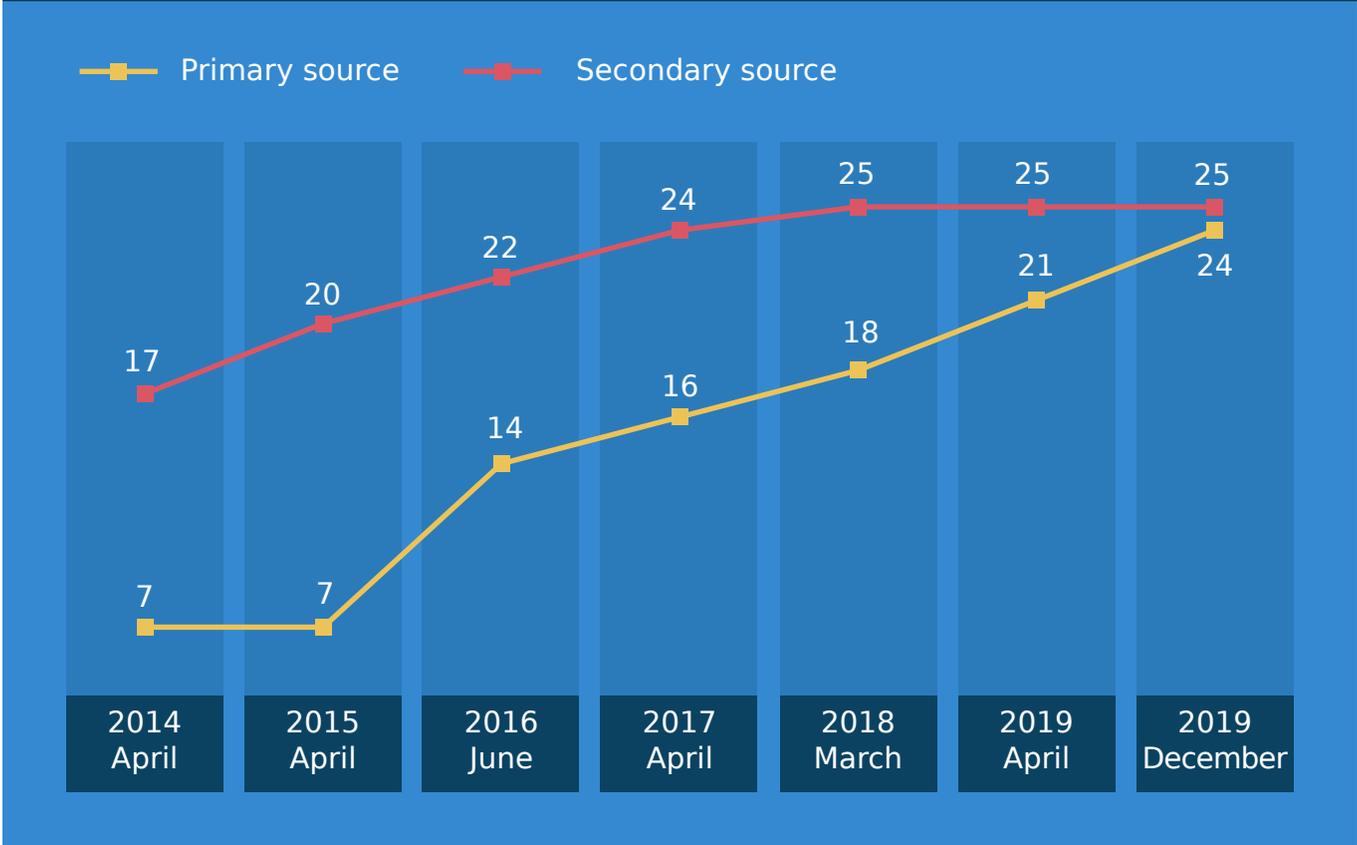
Chart 2. Internet Usage



Source: NDI/CRRC

A steadily growing number of individuals use the Internet as a source of information.

Chart 3. Internet as a Main Source of Information



Source: NDI/CRRRC

According to the National Statistics Office of Georgia,⁵ 96% of the population uses the Internet in order to access social networks, while 55.4% uses it to read online news, newspapers, and magazines.

While 69.6% of the households have Internet access,⁶ 64% of the individuals use the Internet.

5 Distribution of the population aged 15 and older in terms of the purpose of internet use. Those who had used the internet over the preceding three months are included. National Statistics Office of Georgia, July 2019, <http://bit.ly/2PKnfyX>

6 Freedom on the Net, Freedom House, <http://bit.ly/2WRt5kb>

Chart 4. Individuals' Internet use by year (%)

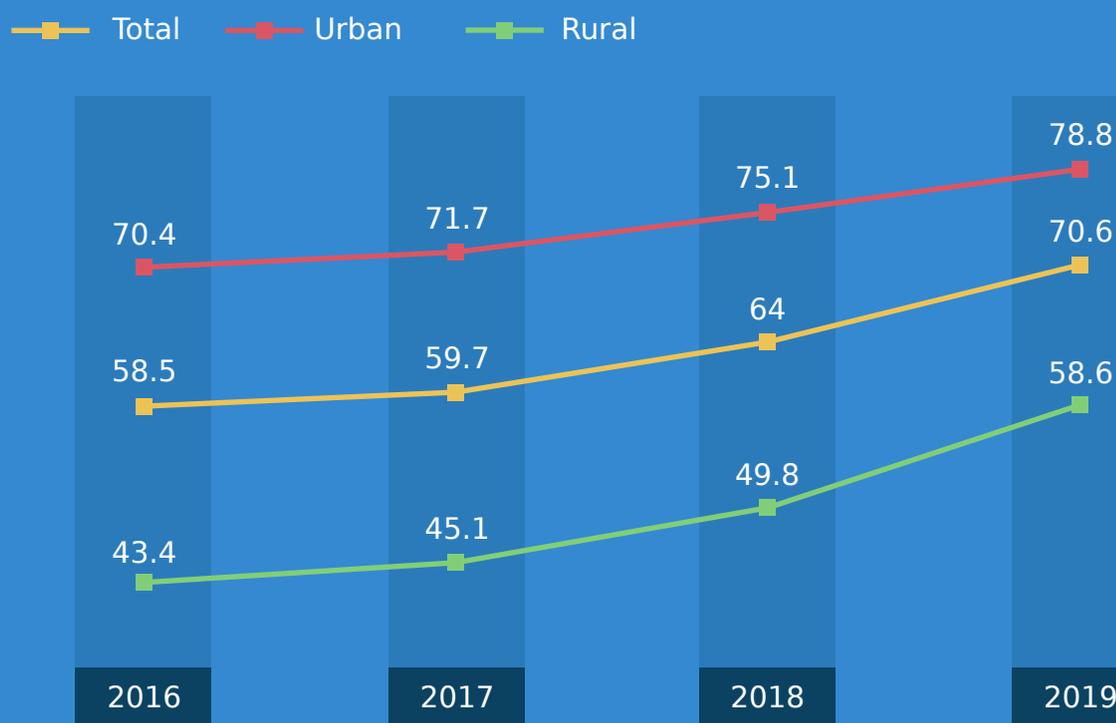


Source: ITU

Analysis of the data clearly demonstrates that the Internet is more accessible to urban population compared with rural residents. According to the National Statistics office,⁷ 70.6% of the population has accessed the Internet over the last three months: The figure is 78.8% in cities but is 20 percentage points lower in rural areas -- 58.6%. It should be noted that 28.2% of the people have never used the Internet.

⁷ Distribution of the population aged six and older in terms of the last use of the internet over the preceding three months. The National Statistics office of Georgia, July 2019, <http://bit.ly/2PKnfyX>

Chart 5. Distribution of Population Based on Last Use of Internet (%)



Source: The Georgian National Statistics Office of Georgia⁸

According to the GNCC, only 50% of Georgia's 3,388 villages have at least one subscriber using the Internet.⁹

According to the 2019 Freedom on the Net report, Georgia ranks among free countries with the score of 75 out of 100.¹⁰ The report notes positively the fact that the government does not restrict social networks or means of communication.

However, the same report points to a number of problems which represent a serious challenge for the Georgian Internet: specifically, cases of self-censorship among civil servants and online journalists. According to the report, pro-government websites actively disseminate disinformation which aims to influence the population. Recently, Transparency International Georgia has also spoken extensively about the problem of government-backed attacks on its opponents in social media. Our findings were confirmed when Facebook remove hundreds of pages linked with Georgian Dream.¹¹

⁸ Distribution of the population aged six and older in terms of the last use of the internet over the preceding three months. National Statistics Office of Georgia, July 2019, <http://bit.ly/2PKnfyX>

⁹ The GNCC 2018 report, <http://gncc.ge/uploads/other/4/4120.pdf>

¹⁰ Freedom on the Net, Freedom House, <http://bit.ly/2WRt5kb>

¹¹ Facebook Removes Hundreds of Georgia Govt Linked Pages for 'Coordinated Inauthentic Behavior', www.civil.ge, 21.12.2019, <https://civil.ge/archives/332443>

PROTECTION OF PERSONAL DATA

According to the current law,¹² the personal data of Internet users is not protected -- among other things, from secret surveillance. Specifically, legal entity of public law (LEPL) Georgian Operative-Technical Agency which is subordinated to the State Security Service is authorized to install in electronic communications companies (which include Internet service providers and mobile communications operators) stationary, non-stationary, and semi-stationary equipment allowing it to have real-time access to identifying data bases, such as the time, duration, and location of a conversation, the Internet pages visited by a user, and so on. The agency stores this data in its own bank and subsequently uses it for investigation and security-related purposes. Through the installed equipment, the agency can also have direct access to the content of the users' conversations, electronic correspondence, and so on. The equipment is produced, installed, and controlled by the State Security Service, allowing it to conduct secret surveillance without judicial oversight. According to the law, although the means of direct access to information - the so-called black box is installed at a company's premises, the latter has no information as to the types of data obtained by the Operative-Technical Agency which is part of the security system. The agency can store the data for up to a year, although the period can be extended too.

Civil society organizations actively tries to change the law since 2013. Following the "This Affects You, They Are Eavesdropping on Us Again" campaign, the Parliament adopted several progressive amendments to the laws regulating secret surveillance in August 2014, which resulted in improvements in the legislation. However, the Internal Affairs Ministry retained direct access to the information stored by the mobile communications operators and the control over the so-called black boxes. These powers were subsequently transferred to the State Security Agency.

Civil society organizations challenged the legislation governing secret surveillance in the Constitutional Court in 2015.¹³ The Court granted the appeal on 14 April 2016 and declared unconstitutional the legal provisions establishing the ways of obtaining information about communication.¹⁴

*"The establishment, possession or administration of technical means of real-time access to personal information by an agency which has an investigative role or is professionally interested in viewing this information and its ability to use these means for direct access to persona information creates an increased risk of unwarranted infringement on privacy," the Constitutional Court's ruling said.*¹⁵

12 On Legal Entity Of Public Law -- Georgian Operative-Technical Agency, www.matsne.ge, <http://bit.ly/2UqOJwu>

13 This Affects You appeals to Constitutional Court to curb direct access to citizens' telephone and internet data, Transparency International Georgia, 7.04.2015, <http://bit.ly/2TpPS6Q>

14 Secret Surveillance Constitutional Appeal by This Affects You and Ombudsman Has Been Granted, www.netgazeti.ge, 14.04.2017, <https://netgazeti.ge/news/108061/>

15 The Constitutional Court Ruling № 1/1/625,640, 14.04.2016, <http://bit.ly/38VyNXc>

In spite of this, following this decision, the Georgian Parliament adopted a new law whereby the same powers that the State Security Service had enjoyed were transferred to a LEPL which is part of its system. The law still contradicts the Constitutional Court's decision. Because of this, nongovernmental organizations and 326 Georgian citizens have appealed to the court, once again asking it to declare the current system of secret surveillance unconstitutional.¹⁶ The consideration of the case has ended and the applicants are awaiting the court's decision.

OPEN NET PROJECT

Bidzina Ivanishvili, former Prime Minister and leader of the ruling Georgian Dream party, expressed the idea of universal Internet access.¹⁷ Subsequently, in 2015, the Ministry of Economy and Sustainable Development's Innovations and Technologies Agency established a non-entrepreneurial (non-profit) legal entity Open Net. It was tasked with "implementing the state programme for the development of broadband infrastructure in Georgia."¹⁸ These technical means make it possible to provide high-speed Internet access.¹⁹ However, the project is yet to commence, while the entity still exists and employs 14 people.²⁰

WHAT THE PROJECT INVOLVED

The programme's goal was to facilitate access to high-speed Internet throughout Georgia.²¹ Open Net was to build the infrastructure in places where Internet service providers were not planning to invest due to high costs or low consumer demand. It was to offer the operators access to the infrastructure that it would create based on the principle of open access to the connection points.²² The list of the 500 villages where optical networks were to be built and such points were to be located was also disseminated publicly. According to the project, upon its completion, the high-speed Internet infrastructure would cover some 2,000 settlements.²³

16 The Constitutional Court Will Consider Today Application by 326 Citizens Requesting That Secret Surveillance Law Be Declared Unconstitutional, www.ipn.ge, 06.06.2018, <http://bit.ly/2OoRlaj>

17 What Happened to Promised Universal Internet Access Project, www.netgazeti.ge, 26.11.2018, <http://bit.ly/2qAKiTr>

18 The Georgian Government Decree #375 On Approving State Programme for Development of Broadband Infrastructure in Georgia, 28.07.2016, <http://bit.ly/2NltjHD>

19 Broadband Connections, the GNCC, 27.02.2014, <http://bit.ly/2D233BO>

20 The data received by Transparency International Georgia from Open Net, August 2019.

21 The Georgian Government Decree #375 On Approving State Programme for Development of Broadband Infrastructure in Georgia, 28.07.2016, <http://bit.ly/32zYY20>

22 Provision by a beneficiary and/or a temporary administrator to other authorized persons of the service by means of transit service, including the service by means of optic pairs and dedicated channels. Non-discriminatory inclusion and service which complies with the established quality of service, technical characteristics and service activation time frame is a necessary condition of open access, the Georgian Government Decree #375 On Approving State Programme for Development of Broadband Infrastructure in Georgia, 28.07.2016, <http://bit.ly/32zYY20>

23 The 473 Villages Included in the Internetization Programme, www.netgazeti.ge, 12.11.2015, <http://bit.ly/2p6ZCGu>

The work was mostly to be conducted in two areas:

- Aiding the private sector in developing broadband infrastructure (the financial assistance component);
- Construction and operation of broadband optic-fibre infrastructure.

According to a letter which we received from Open Net, the financial development assistance to the private sector which was planned under the project could not be implemented because the operators did not apply to take part in the competition which they had announced and consequently no beneficiaries were selected.²⁴

As for the other component, the construction of infrastructure, the State Procurement Agency's website contains documents according to which, based on Open Net's application, the agency authorized it to use the simplified procurement procedure for the construction of optic-fibre infrastructure along the Zugdidi-Jvari-Mestia, Kutaisi-Tkibuli-Ambrolauri, Samtredia-Chokhatauri-Ozurgeti, and Kutaisi-Tsageri-Lentekhi routes.²⁵ The work was scheduled for 2018-2020. The value of procurement was GEL 20 million but the procurement which Open Net had announced was not completed.²⁶ Consequently, the construction of infrastructure is yet to commence.

PROJECT FUNDING

Bidzina Ivanishvili's Cartu foundation was to provide financial support for the project's implementation. "This is a project that should propel our country by 15-20 years into the future. At current estimates, the project's cost is between \$125 million and \$150 million which Mr Bidzina will provide without expecting anything at all in return," then Economy Minister Dimitri Kumsishvili said.²⁷

The internetization project was included in Georgian Dream's campaign platform for the 2016 parliamentary elections which said: "An 8,000-kilometer long infrastructure will be built, providing an additional 800,000 people with Internet access. Consequently, over 90% of the country's population will have access to the Internet."²⁸ The same records appeared in the government's programme for 2016-2020.²⁹ It should be noted that the news section of Open Net's website has not been updated since 2016.³⁰

The fact that the internetization project has been suspended was confirmed by Economy and Sustainable Development Minister's Natia Turnava's statement in which she spoke about resumption of the internetization project ahead of the 2020

24 public information requested by Transparency International Georgia, Open Net, 30.09.2019

25 The State Procurement Agency, <http://bit.ly/2Clkx69>

26 According to Open Net, a single company to part in the procurement tender but it did not show up to sign the contract, public information requested by Transparency International Georgia, 22.11.2019

27 With Funding From Ivanishvili, Government Will Become Major Player in Internet Market, www.tabula.ge, 12.11.2015, <http://bit.ly/2KffA8O>

28 Georgian Dream's electoral platform, <http://bit.ly/2NFv1cx>

29 The 2016-2020 Government Programme, <http://bit.ly/2CNfXn6>

30 www.opennet.ge, <http://opennet.ge/eng/list/15/akhali-ambebi>, 11.02.2020.

parliamentary elections.³¹ It is not known at this stage how the project will be implemented, to what extent Open Net will be involved in it, and whether or not Bidzina Ivanishvili’s Cartu Foundation will finance it again.

“Originally, when there was a problem in terms of financing, we supported the state in that respect. Subsequently, funds appeared and the project was funded. Anyway, we have not pulled out and, if the project requires it, we will support it again,” Nikoloz Chkhetiani, the Cartu foundation’s head of projects, said.³²

According to the documents which Open Net provided upon Transparency International Georgia’s request, Cartu only funded Open Net in 2015-2017, providing a total of GEL 2.9 million. Since then, the organization has operated through other private donations.³³ Open Net spent a total of GEL 4.9 million in 2015-2019 on administrative and consulting services.

Open Net staff and salaries:

Year	2015	2016	2017	2018	2019 (August)
Number of employees	11	19	14	14	14
Salaries	180 392	895 956	719 092	686 746	370 460
Bonuses	31 750	2 850	0	0	0

Based on the government’s 16 July 2009 decree, the Finance Ministry was authorized to apply to the World Bank to secure financing for the implementation of the broadband infrastructure development strategy.³⁴ According to the Ministry of Economy, the project involves implementation of state programmes and projects of broadband Internet and Open Net is viewed as part of these too.³⁵

The government has been trying to develop broadband Internet infrastructure since 2014 and has made corresponding announcements, including the Open Net project,

31 Natia Turnava: Cartu Foundation Has Never Abandoned Internetization Project, www.1tv.ge, 17.10.2019, <http://bit.ly/2pl7Gnb>

32 What Is State of Universal Internet Access Project? Cartu Foundation’s Explanation, www.bm.ge, 12.05.2019, <http://bit.ly/2CNAXdq>

33 According to Open Net, under the contract signed with the source of financing, it cannot disclose information about the details of the donation without its permission. Public information requested by Transparency International Georgia, 22.11.2019

34 The Georgian Government Decree #1636, <http://bit.ly/2NNt6CR>

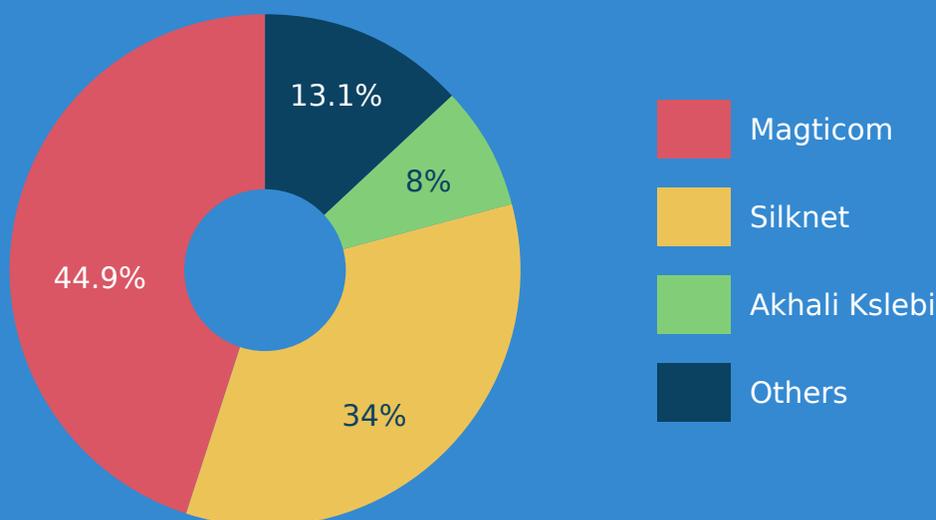
35 Public information requested by Transparency International Georgia from The Ministry of Economy and Sustainable Development, the Ministry’s letter, 15.10.2019

although it only adopted the broadband infrastructure development strategy recently, in early 2020.³⁶

MARKET OLIGOPOLY AND LARGEST INTERNET OPERATORS

Magticom and Silknet are the largest Internet service providers in Georgia. They control nearly 79% of the market in terms of the number of subscribers and 82% -- in terms of the revenues.³⁷

Chart 6. Division of Internet Market by Number of Subscribers (2018)



Source: GNCC;

* Users of all technologies are included;

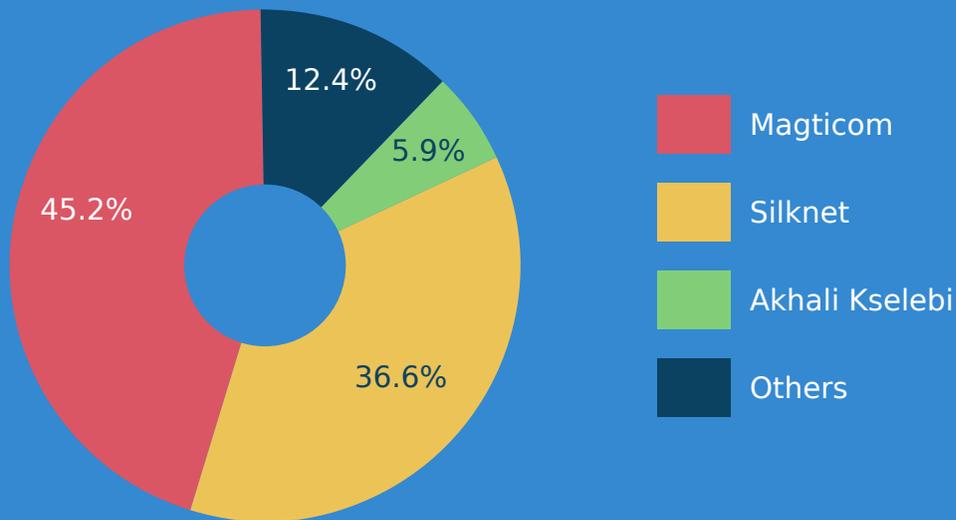
** Ownership type includes both physical and legal persons;

** Akhali Kselebi includes the following companies: Akhali Kselebi, Akhteli, GCG, System Net, Bolnisis Akhali Kselebi.

36 The Government Has Approved Georgian National Strategy 2020-2025 for Broadband Networks Development, www.1tv.ge, 09.01.2020, <http://bit.ly/305IUqa>

37 Calculated based on data from 2018

Chart 7. Distribution of Companies by Revenue (2018)



Source: GNCC;

* Users of all technologies are included;

** Ownership type includes both physical and legal persons;

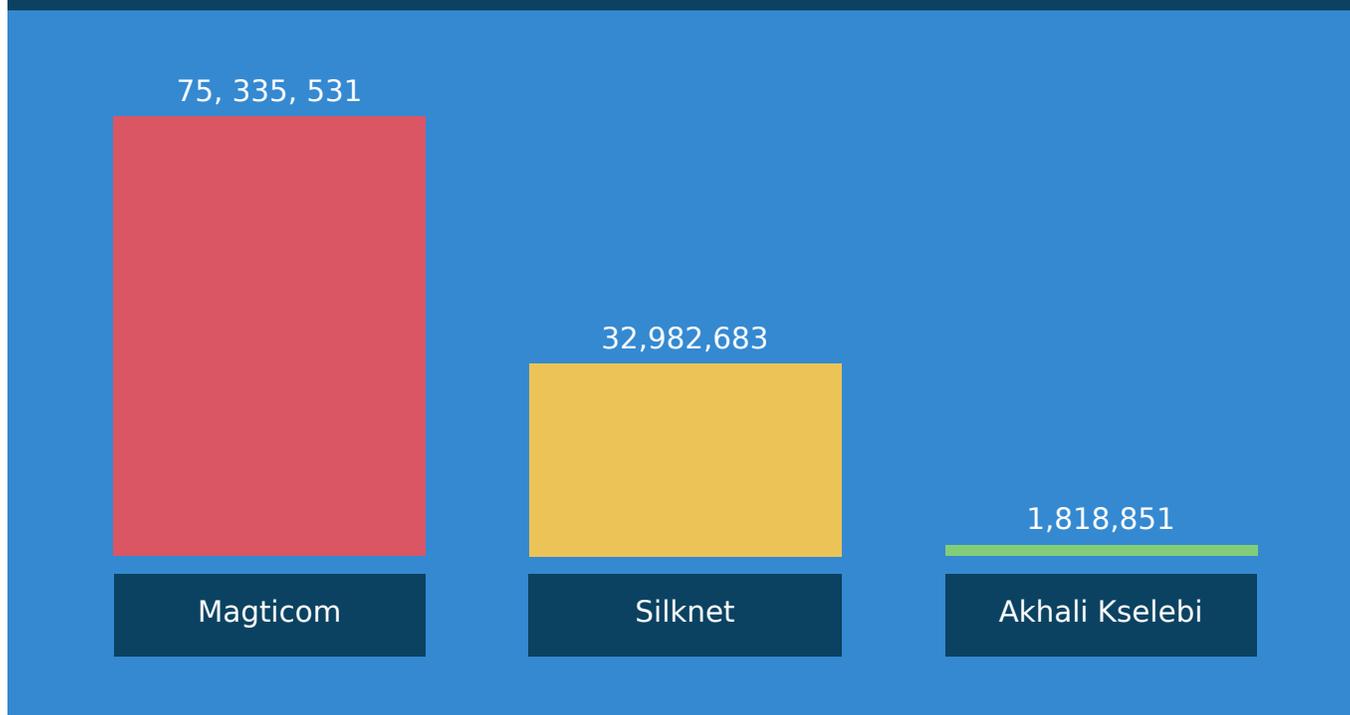
** Akhali Kselebi includes the following companies: Akhali Kselebi, Akhteli, GCG, System Net, Bolnisis Akhali Kselebi.

The division of the market is similar as far as the allocation of public funds through tenders is concerned. An analysis of the situation in 2015-2019 (including the funds transferred by 31 October 2019) shows that Magticom tops the list in terms of the amount of money received through tenders won and simplified procurement. It won tenders worth approximately GEL 4.8 million during this period of time, while also signing contracts worth some GEL 70.5 million through simplified procurement. Magticom's total revenue from tenders and simplified procurement is approximately GEL 75.3 million.

Silknet is second, having won tenders worth approximately GEL 13.3 million during the same period of time, while also signing simplified procurement contracts worth GEL 19.7 million. Silknet's total revenue from state procurement in 2015-2019 was approximately GEL 33 million.

Akhali Kselebi is third. According to the data, Akhali Kselebi's revenues from public procurement are much smaller than those of Magticom and Silknet. Over the last five years, Akhali Kselebi has earned a total of GEL 364,000 through tenders, along with GEL 1.5 million earned through simplified procurement. Akhali Kselebi's total revenue from public procurement amounts to GEL 1.8 million.

Chart 8. State Procurment Agency's Data (2015-2019)



Source: State Procurement Agency

Consolidation of the market began in 2016 when Magticom acquired the operational assets (retail segment) of Caucasus Online, which was the leading company in the market, followed by its acquisition of 100% of Delta-Comm.³⁸ Before the sale of its shares, Delta-Comm incorporated Delta-Net and A-Net through reorganization.³⁹ Through these deals, Magticom became the leading company both of the mobile and the fixed Internet markets.

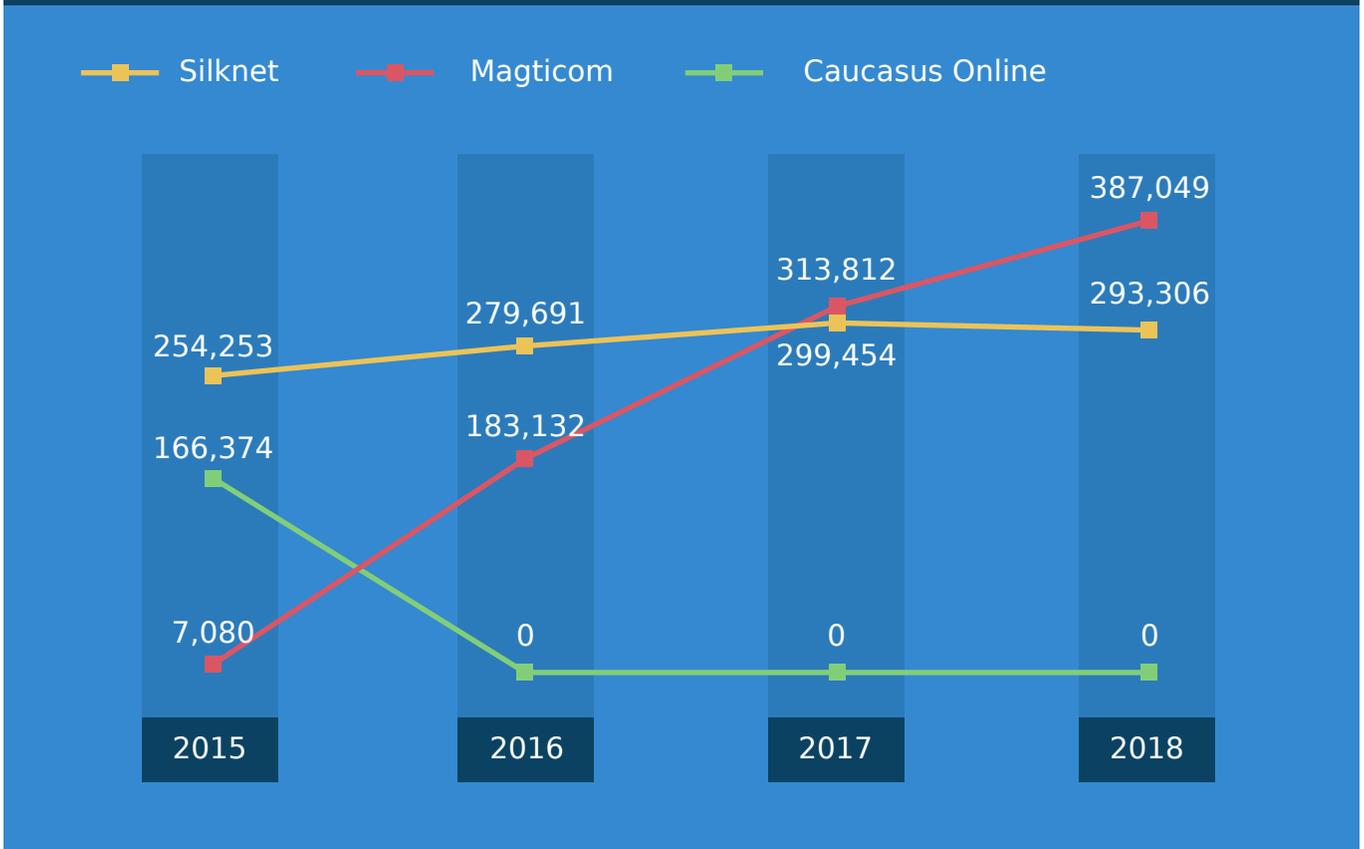
The chart below shows that there was a small decline in the number of Silknet's Internet subscribers in 2018. According to the GNCC, this was caused by the switching of subscribers from xDSL technology to optic technology in the regions where Silknet's rival operators have better optic networks.⁴⁰

38 Following Caucasus Online, Magticom Wants To Buy Deltacom Too, www.netgazeti.ge, 20.10.2016, <https://netgazeti.ge/news/149145/>

39 Information From the Public Registry, <http://bit.ly/2LMOg2E>

40 The GNCC's 2018 report, <http://gncc.ge/uploads/other/4/4120.pdf>

Chart 9. Magticom and Silknet Fixed Internet Subscribers



Source: GNCC;

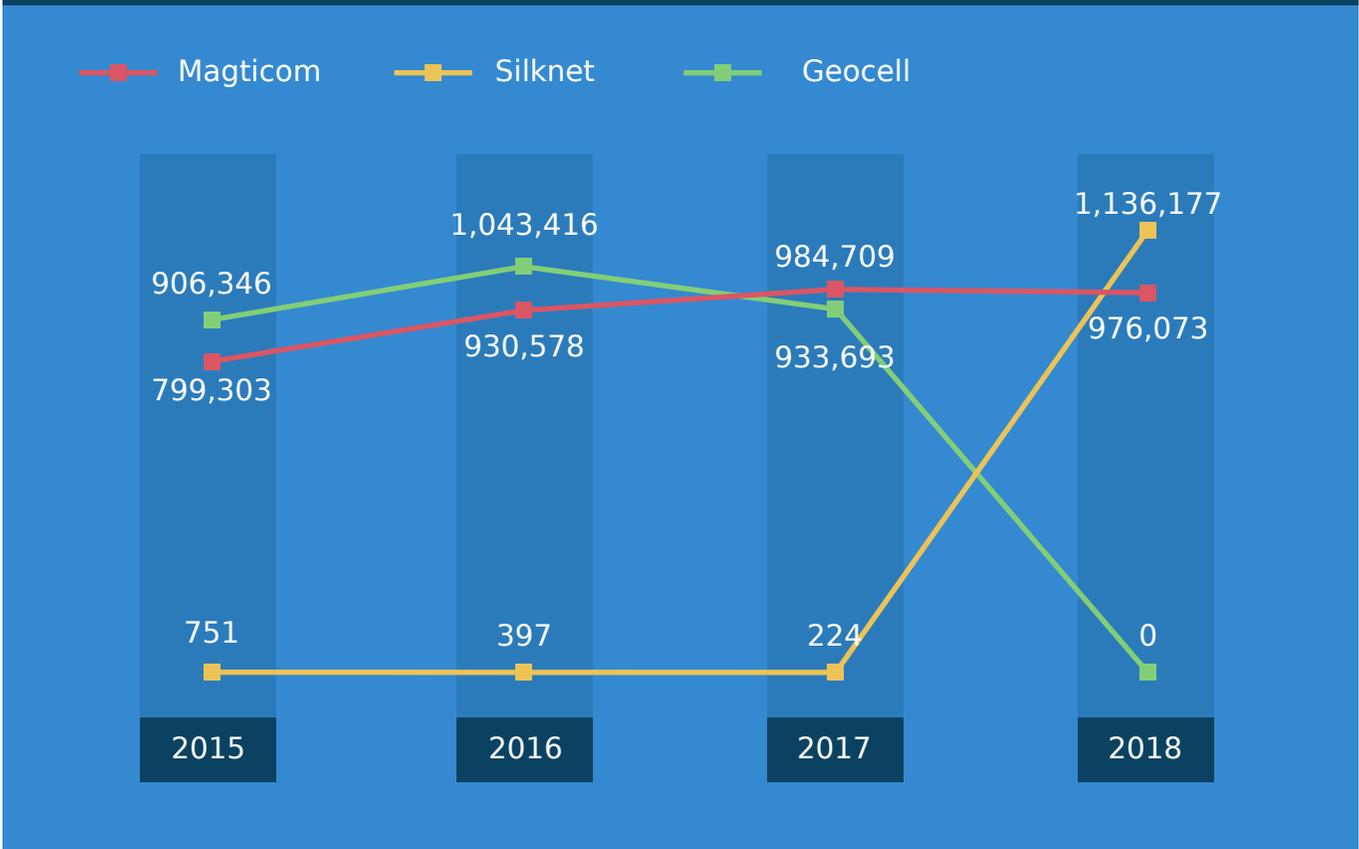
* Users of all technologies are included;

** Ownership type includes both physical and legal persons

At the same time, Silknet, which was a leading company in retail Internet services, decided to buy Geocell, which was a leading company on the mobile Internet and telephony markets. Subsequently, the GNCC “concluded based on the findings of market analysis that there appeared to be no factors that would impede this transaction”⁴¹ and so Silknet acquired Geocell for \$135 million. The deal resulted in the establishment of a second giant company which offers consumers Internet, mobile, and television services.

41 The Commission has Authorized Silknet to Buy 100% of Geocell, www.reginfo.ge, 13.03.2018, <http://bit.ly/2PJ0la1>

Chart 10. Magticom and Silknet Mobile Internet Subscribers



Source: GNCC;

* Ownership type includes both physical and legal persons

Some experts have assessed negatively the rise of oligopoly in the Internet market. The GNCC chairman also spoke about the necessity of increasing competition and highlighted the need to bring in a global player. “We will gradually regulate the fixed Internet market in such a way as to ensure that competition is strong, prices fall, and quality rises,” Kakha Bekauri said in March 2018,⁴² although no global company has entered the market yet.

He also urged Beeline (Veon Georgia), which is the third largest company on the mobile Internet market, to step up its activities and to become a “third fully fledged operator” in order to increase competition.⁴³ However, the GNCC chairman also said in early 2019 that Beeline was unable to compete with Magticom and Silknet and that the company was actually selling the business and leaving the market.⁴⁴ Beeline denied this.⁴⁵

42 Itel Telecom Company Could Enter Georgian Market, the Public Broadcaster, 13.03.2018, <http://bit.ly/34rDfKR>

43 Kakha Bekauri: We Want Third Fully Fledged Operator in the Market, So We Are Urging Beeline To Develop, the Public Broadcaster, 13.03.2018, <http://bit.ly/2OI14ry>

44 Beeline to exit the Georgian Market, www.forbes.ge, 24.01.2019, <http://bit.ly/3aorZ50>

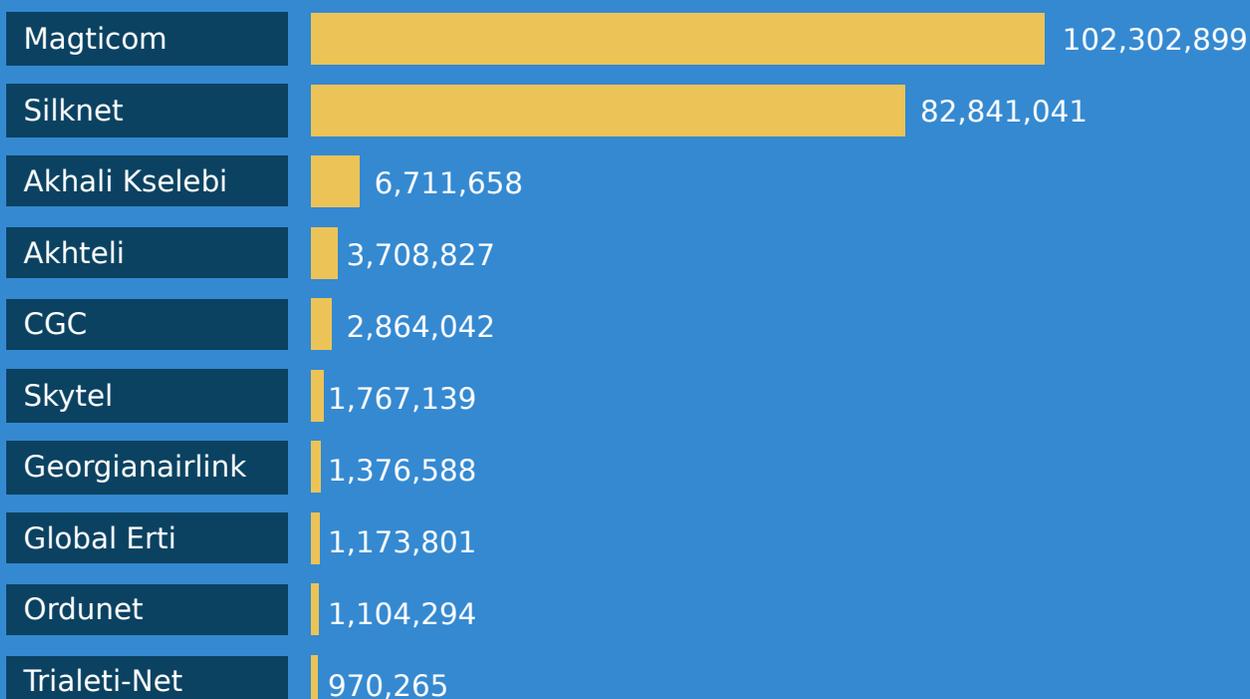
45 Is Beeline Leaving Georgia? Company’s Statement, www.netgazeti.ge, 24.01.2019, <http://bit.ly/2KY4OUY>

OWNERSHIP OF INTERNET OPERATORS

Some of the large companies operating in the Internet market, including Magticom and Silknet, are registered in offshore jurisdictions. Since they own television and the law requires disclosure of the ownership information of television,⁴⁶ the GNCC website contains information as to who stands behind these offshore companies. At the same time, there are cases where it is difficult to establish who actually controls the offshore companies which own the Internet service providers.

This report presents information about the ownership of the top 10 highest-earning Internet service providers and their business connections.

Chart 11. Top 10 Companies with Highest Revenues (2018)



Source: GNCC

* Users of all technologies are included;

** Ownership type includes both physical and legal persons

46 The Law on Broadcasting, Article 37 (e), <http://bit.ly/2vFVII2>

MAGTICOM

Magticom is a leading company in the field of telecommunications. It entered the market in 1997 as a mobile communications operator.⁴⁷ Magticom currently also provides diverse services in the field of telecommunications, including mobile Internet, IP and cable television, wired and wireless Internet, and television, while also owning entertainment TV stations Magti Hit, Magti Kino, and Chveni Magti.⁴⁸

According to the public registry,⁴⁹ Magticom's official owners are companies established in the United States: Telcell Wireless Company (49%) and International Telcell Cellular (51%). According to the documents submitted to the GNCC, their ultimate beneficial owners are⁵⁰ Giorgi Jokhtaberidze (54%), Edward Spencer Churchill (15%), Benjamin Albert Marson (4.34%), Igor Alekseyev (2.17%), Irakli and Natalia Rukhadze (9.3%), Natela Sakhokia (9.3%), Vladislav Alekseyev (3.72%), and Viktor Korzhilova (2.17%).

The company's majority share is owned by Giorgi Jokhtaberidze, former Georgian President Eduard Shevardnadze's son-in-law. It was during Shevardnadze's presidency that he founded the company. Natela Sakhokia, who owns 9.3% of Magticom, is the mother of another owner Irakli Rukhadze. Irakli Rukhadze is a businessman with close links to the Patarkatsishvili family and board chairman at the Imedi TV station which the family owns. It should be noted that, according to the British Chamber of Commerce, Irakli Rukhadze unlawfully acquired the business of a company (Salford Capital Partners Inc) in which he worked. Following Badri Patarkatsishvili's death, the company assisted his family in tracing his assets. It was the business of this company that was unlawfully acquired by Hunnewell Partners co-founded by Rukhadze.⁵¹ Hunnewell Partners currently manages the personal assets of the owners of different organizations and their families. His portfolio, meanwhile, includes Magticom, the Rustavi Metallurgical Plant, Heidelberg Cement, IDS Borjomi, and Tele Imedi.⁵² These businesses are linked to the Patarkatsishvili family.

In 2017, European Financial Group B.V (EFG) bought 74.64%-share in Liberty Bank. Following this deal, Irakli Rukhadze became one of the bank's beneficial owners and chairman of the board.⁵³

SILKNET

JSC Silknet⁵⁴ is the largest company on the telecommunications market. According to the 2018 data, it has the largest number of mobile subscribers, while also being the

47 Magticom website, <https://www.magticom.ge/en/about-company>

48 The GNCC, <http://tiny.cc/1igwez>

49 The business registry, <http://bit.ly/2VSUHap>

50 The GNCC, <http://gncc.ge/uploads/other/2/2754.pdf>

51 UK Court Exposes Irakli Rukhadze for misappropriation for of a Salfrod Project Worthing billion, www.forbes.ge, 16.11.2018, <http://bit.ly/3aqhYUQ>

52 Liberty Bank Website, <http://bit.ly/2Ts6Cua>

53 Irakli Rukhadze Has Become Liberty Bank's Owner, www.tabula.ge, 16.10.2017, <http://tiny.cc/ftgwez>

54 The business registry, <http://bit.ly/2xd966U>

second largest Internet provider in Georgia in terms of the number of fixed Internet service subscribers.

JSC Silknet was established by LLC Silknet Holding⁵⁵ whose 100%-share is owned by Rhinestream Holdings Limited, a company registered in Malta.⁵⁶ According to the data from the GNCC website, JSC Silknet's ultimate beneficiaries are Giorgi Ramishvili (58.81%), Aleksi Topuria (27.15%), Davit Mamulashvili (5%), and David Franz Borger (9.04%).⁵⁷

Silknet is part of the Silk Road Group which is a major player in the transportation sector. It provides cargo services both via railroad and in the Caspian Sea. The company is also involved in the trade in crude oil and oil products delivered from Azerbaijan and Central Asian countries to Black Sea ports.⁵⁸

The group owns a network of Radisson Blu hotels in Tbilisi, Batumi, and Tsinandali, restaurants in Tbilisi, night clubs in Batumi, and a sport's complex in Tbilisi.⁵⁹

It should be noted that Silk Road Group was planning to build a 47-storey Trump Tower in Batumi. The project's presentation took place in 2012 and then President Mikheil Saakashvili attended it together with American billionaire and currently US President Donald Trump. According to the plan, the construction was to begin in 2013. Silk Road Group officially announced the project's cancellation in 2017.⁶⁰

However, Silk Road Group launched a new project and its current plans for the near future include the construction of five skyscrapers on Batumi's sea coast. The Co-Investment Fund established by Bidzina Ivanishvili, former Prime Minister and Georgian Dream leader, provides financial support for the project.⁶¹ Many people oppose the project which involves construction of a yacht club and creation of an artificial bay.⁶²

JSC Silknet owns several specialized channels which mainly focus on sports, entertainment, and education.⁶³ In July 2019, Euronews and Silknet signed a memorandum of understanding regarding the establishment of Euronews Georgia. According to Silknet, Euronews will broadcast its content alongside Georgian content. Euronews Georgia will be a Georgian-language news channel and digital platform.⁶⁴ Silknet supports and finances the Georgian franchise of National Geographic.

55 The GNCC website, <http://bit.ly/2OgEveM>

56 The business registry, <http://bit.ly/2KS54oB>

57 The GNCC, <https://bit.ly/2WO5X5J>

58 Silk Road Group, <http://silkroadgroup.net/>

59 Silk Road Group website, <http://silkroadgroup.net/silk-road-hospitality/?lang=ge>

60 The Trump Tower project in Georgia's Black Sea resort town of Batumi has been officially cancelled, agenda.ge, 9.01.2017, <https://agenda.ge/en/news/2017/44>

61 Six-Billion Private Investment Fund Established, www.civil.ge, 30.09.2013, <http://tiny.cc/s2q0ez>

62 Seventeen Votes in Favor of Skyscrapers in Batumi, www.batumelebi.netgazeti.ge, 16.07.2019, <https://tinyurl.com/y5d47jdo>

63 The GNCC, <http://registry.gncc.ge/Organisation.aspx?OrgID=623>

64 Agreement Signed between Euronews and Silknet to launch Euronews Georgia, bm.ge, 25.07.2019, <http://bit.ly/32WQF1Z>

Silk Road Group is investing in the energy sector: It is among the investors of the Bakhva 3 hydro power plant.⁶⁵ The group's subsidiary is also funding the construction of the Machakhela hydro power plant, which has triggered protests among the local population.⁶⁶

AKHALI KSELEBI

Akhali Kselebi is the third largest company in the fixed Internet market. Akhtel⁶⁷ and Central Communications Corporation (CGC),⁶⁸ companies which are part of the Akhali Kselebi holding, are fourth and fifth.

Pridon Injia, who holds dual Russian-Georgian citizenship, currently owns 46.2% of Akhali Kselebi.⁶⁹ Before Injia, this share in Akhali Kselebi was owned by Belize-registered offshore company Alpha System Transit Corp (46.2%) which bought the share from Injia in 2007.⁷⁰ Injia was also Alpha System's representative at the time. Alpha System, meanwhile, was owned by Panama-registered company Cascado AG. Cascado AG has been involved in multiple scandals, including controversial public procurement and export deals in Ukraine.⁷¹

In December 2015, Injia bought 46.2% of Akhali Kselebi back from Alpha System for GEL 25,613.⁷² It should be noted that System Net, in which Injia has a 15% share, owns 10% of Akhali Kselebi.⁷³

Avtandil Iashvili, who is Pridon Injia's business partner in other companies, is another owner of Akhali Kselebi (33.177%). Iashvili also owns a share in System Net (29%). According to the business registry, he is involved in multiple companies.⁷⁴ Pridon Injia and Avtandil Iashvili own shares (14.3% and 25.3%) in optic-fibre communications network Foptnet both as individuals and through System Net.⁷⁵

As for Akhtel,⁷⁶ another company which is part of the holding, Akhali Kselebi owns 100% of its shares. Georgian Central Communications Corporation⁷⁷ is owned by System Net (49%),⁷⁸ while the rest of the shares are owned by companies registered

65 Georgian Energy Platform, <http://energyplatform.ge/>,

66 Population Against Hydro Power Plants: People in Machakhela Valley Preparing Appeal to Prime Minister, www.adjaratv.ge, 27.03.2019, <http://adjaratv.ge/article/39917>

67 The Public Registry, <http://bit.ly/3as8DMr>

68 The Public Registry, <http://bit.ly/3cvgaMd>

69 The Public Registry, <http://bit.ly/2POYi5n>

70 The Public Registry, <http://bit.ly/2OmKZgU>

71 The State of the Internet: Who Controls Georgia's Telecommunication Sector?, Transparency International Georgia, <http://bit.ly/3cAt0Zx>, 28.12.2012

72 The Public Registry, <http://tiny.cc/f4n5ez>

73 The Public Registry, <https://tinyurl.com/yyjtakes>

74 The Public Registry, <http://bit.ly/2BTAINs>

75 The Public Registry, <http://bit.ly/2DIP2ig>

76 The Public Registry, <http://bit.ly/3as8DMr>

77 The Public Registry, <http://bit.ly/3cvgaMd>

78 The Public Registry, <https://tinyurl.com/yyjtakes>

abroad: LLC Jener (13%), LLC Monemvasia Shipping & Trading (13%), and Greek JSC OTEplus (25%).⁷⁹

Pridon Injia is a member of the Tbilisi City Council from Patriots' Alliance.⁸⁰ He was a member of the Georgian Parliament elected in a single-seat district as a candidate of Shalva Natelashvili -- Georgian Labour Party,⁸¹ as well as also serving as Georgian Minister of Communications in 1992-1998. Injia became involved in the telecommunications business during his time in the government. In 2001, the Prosecutor's Office charged him with embezzling \$14 million in his official capacity but the Parliament refused to lift Injia's immunity and the investigation ended. He donated a total of GEL 108,400 to Patriots' Alliance in 2014-2016.⁸²

According to the Akhali Kselebi website,⁸³ the company is part of the T&T group which includes the following companies: System-Net, Akhtel, optic-fibre telecommunications network Foptnet, telephony company GTC, the Central Communications Corporation (CGC), Iveria Kseli, Sanapiro. Pridon Injia has direct and indirect links to these companies.

SKYTEL

Skytel⁸⁴ is the sixth largest company. It was established in 2010 and began to expand in 2016. Following reorganization, it incorporated five companies: Skynet, Live Net, Intercom, Realnet, Maxlink. It incorporated two further companies, Odishi Net and Borjomula, in 2017 and Galaxy Georgia - in 2019. The expansion was reflected in the company's revenues too which grew from GEL 0.2 million in 2015 to GEL 1.8 million in 2018.

79 Pridon Injia owns 15% of Sysem-Net.

80 The Tbilisi City Council, <http://bit.ly/39oH86s>

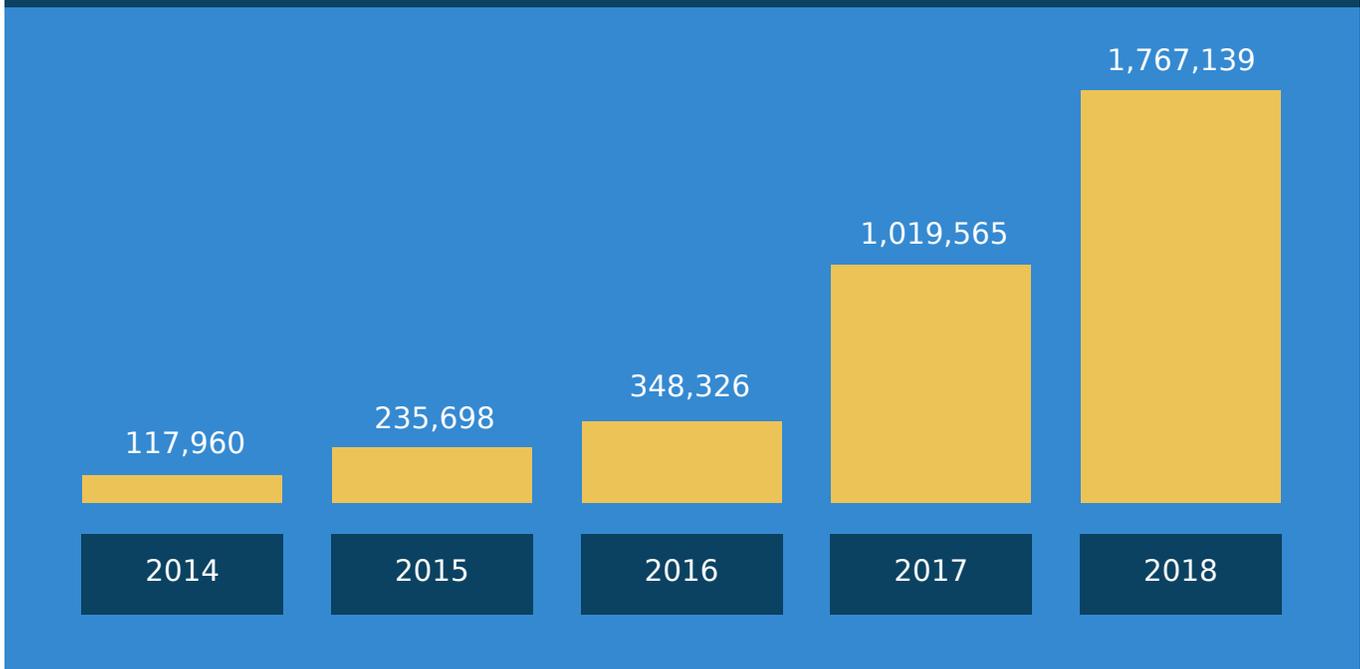
81 The Georgian Parliament, <http://www.parliament.ge/en/mp/4942>

82 State Audit Office of Georgia, www.monitoring.sao.ge

83 Akhali Kselebi, <http://www.ak.ge/index.php?mmd=5&smd=19&lang=en>

84 The Public Registry, <http://bit.ly/38vDtIQ>

Chart 12. Skytel's Revenues



Source: GNCC;

* Users of all technologies are included;

** Ownership type includes both physical and legal persons.

Skytel owns another company, GOLDNET,⁸⁵ which received GEL 645,000 in revenues in 2018.

Georgian citizen Besik Mosashvili owns 100% of Skytel. The Public Registry contains no information about his involvement in other companies.

GEORGIANAIRLINK

Georgian citizen Karen Darbinian owns 100% of Georgianairlink.⁸⁶ The company's revenues have grown every year. When the company was established in 2013, its revenues were GEL 40,000. The company earned GEL 1.4 million and had 6,427 subscribers in 2018.⁸⁷

Georgianairlink owns 26% of another Internet company, Netcom.⁸⁸ Netcom received GEL 770,000 in revenues in 2018. Netcom owns 52% of a company with the same name, Netcom,⁸⁹ which earned approximately GEL 204,000 the same year. The two companies earned a total of some GEL 1 million in 2018.

85 The Public Registry, <http://bit.ly/2NnyLhD>

86 The Public Registry, <http://bit.ly/2TGx7Lc>

87 All types of technology included. Both physical and legal persons.

88 The Public Registry, <http://bit.ly/2llgAqO>, identification code 423352712

89 The Public Registry, <http://bit.ly/2KXgerZ>, identification code 436683144

GLOBAL ERTI

Global Erti is a JSC, so the identity of its owners does not appear in the business registry. Giorgi Machitidze is the company's general director and chairman of the board, while Nino Machitidze and Irine Muradeli are board members.⁹⁰ According to the GNCC website, the commission authorized Giorgi Machitidze and Rusudan Machitidze to each buy a 50% share in Global Erti. According to the Central Electoral Commission's unified voter list, they are registered at the same address.⁹¹ The company was previously owned by Van East LTD, a company registered in the British Virgin Islands.⁹²

Giorgi Machitidze's name appears in the documents of several companies,⁹³ including Beauty Service Line (50%)⁹⁴ which, according to a business search website, is distributing supplies to beauty salons.⁹⁵ Nino Machitidze is involved in the same area of business. She owns shares in companies Azure,⁹⁶ Previa Centre,⁹⁷ and Skincare-Geo.⁹⁸

ORDUNET

Ordunet⁹⁹ is the ninth largest company in Georgia, with revenues of GEL 1.1 million.¹⁰⁰ Vakhtang Gamsakhurdia owns 100% of the company. He also owns shares in other Internet service providers: the Orduge company (90%)¹⁰¹ earned GEL 17,000 in 2018,¹⁰² while the Airopt company (45%)¹⁰³ earned GEL 19,000.

Ordunet also owns IP television company TVG (15%).¹⁰⁴

According to the Public Registry, Vakhtang Gamsakhurdia is involved in another company -Geocoin (50%).

TRIALETI-NET

Trialeti-Net is the last company on the list of the top 10 earners with 5,134 subscribers. It has earned GEL 970,000.

90 The Public Registry, <http://bit.ly/2vMfVvR>

91 The unified voter list, <https://voters.cec.gov.ge/>

92 The GNCC, <http://tiny.cc/vp4cfz>

93 The Public Registry, <http://tiny.cc/wr4cfz>

94 The Public Registry, <http://tiny.cc/9m4cfz>

95 The business search website, <https://www.bia.ge/EN/Company/8487>

96 The Public Registry, <http://tiny.cc/b73cfz>

97 The Public Registry, <http://tiny.cc/4w5cfz>

98 The Public Registry, <http://tiny.cc/gh5cfz>

99 The Public Registry, <https://bit.ly/2BQTbu1>

100 The GNCC, revenues in 2018.

101 The Public Registry, <http://bit.ly/2poV8Lt>

102 The company made no earnings in previous years.

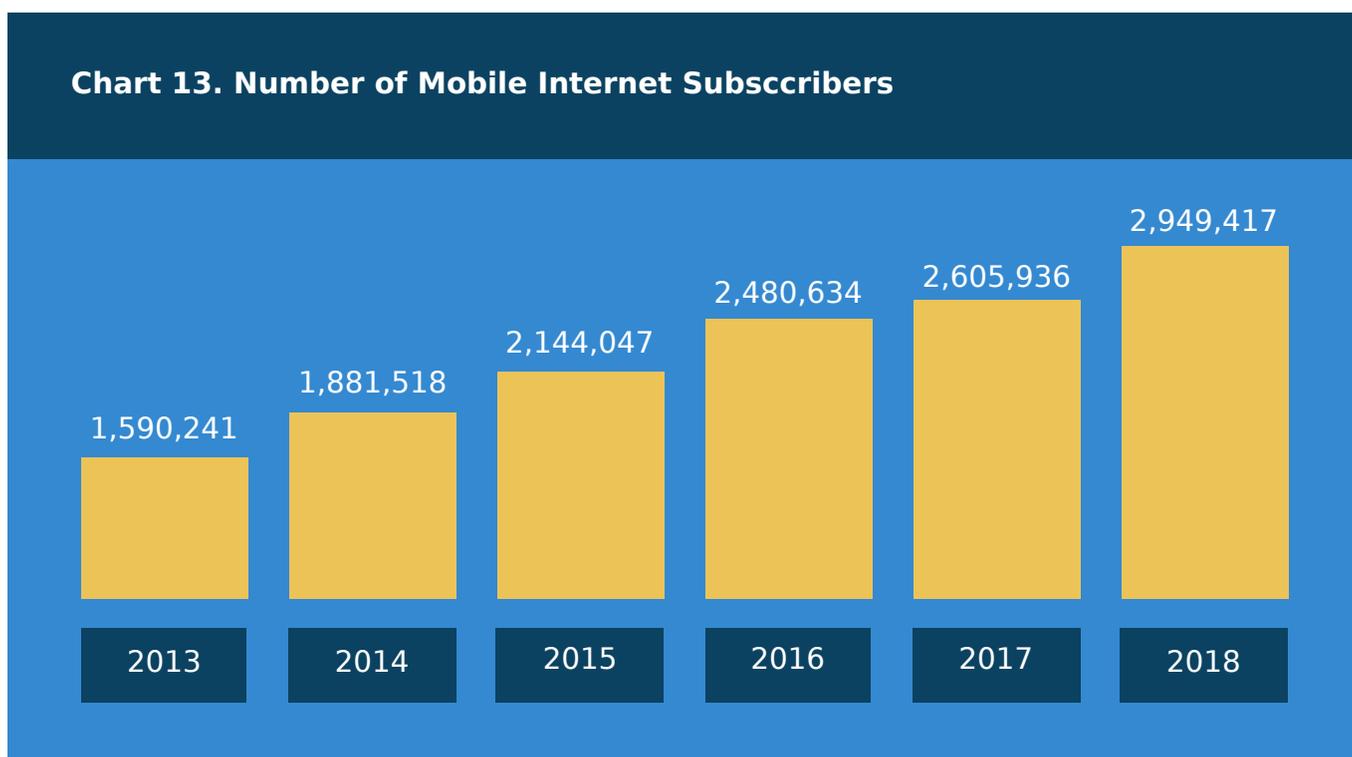
103 The Public Registry, <http://bit.ly/2PsUB5X>

104 The Public Registry, <http://bit.ly/2Pt5dSp>

Nino Totadze is Trialeti-Net's owner and director.¹⁰⁵ She bought Trialeti-Net in 2015 for GEL 20,000.¹⁰⁶ The company incorporated Globalcom and MM Network in 2017 through reorganization.

MOBILE INTERNET

Along with fixed Internet, mobile Internet is an essential tool allowing the users to obtain and disseminate information. The number of mobile Internet users is rising and reached 2.9 subscribers in 2018.



Source: GNCC;

* Ownership type includes both physical and legal persons.

It should be noted that 55.2% of mobile network subscribers used Internet services in the last quarter of 2018. The average annual growth between 2013 and 2018 was 6%.¹⁰⁷

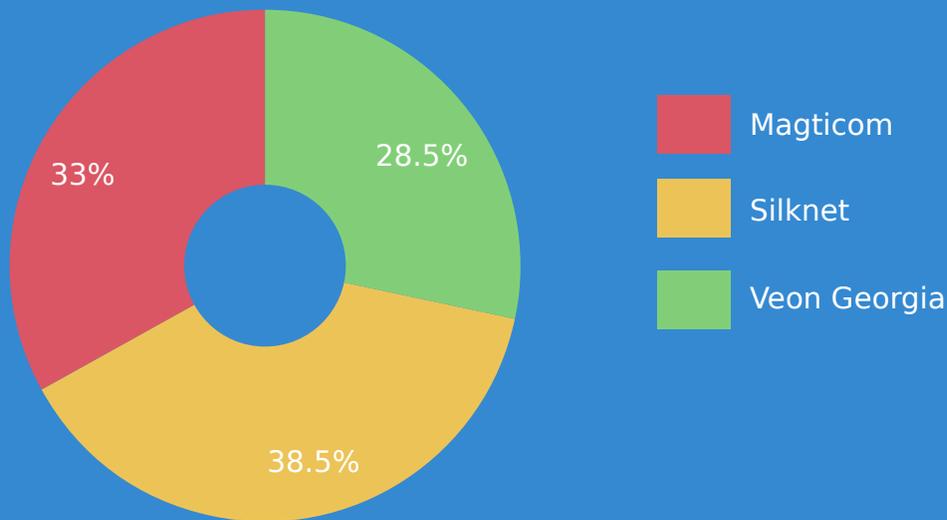
According to the 2018 data, three companies are operating on the mobile Internet market: Silknet, Magticom, and Veon Georgia (Beeline). They effectively control 100% of the market.

105 The Public Registry, <http://bit.ly/38pi3ad>

106 The Public Registry, <http://bit.ly/35dDIkG>

107 The GNCC 2018 annual report, <http://gncc.ge/uploads/other/4/4120.pdf>

Chart 14. Division of Mobile Internet Market by Number of Subscribers (2018)



Source: GNCC;

* Ownership type includes both physical and legal persons.

****Note:** There was a technical inaccuracy in the primary version of the study. Particularly, in Graph 14 the number of subscribers of companies operating on the mobile internet market (market share) was incorrectly indicated and therefore the sum amounted to 92% instead of 100%

The GNCC's analytical website does not contain a breakdown of the data regarding the revenues of mobile operators from mobile Internet. Their total retail revenues reached GEL 481 million in 2018.¹⁰⁸

VEON GEORGIA

Veon Georgia (Beeline) entered Georgian market in 2007. It is the third largest company providing mobile Internet services. The companies that own it¹⁰⁹ - Watertrail Industries (51%), Investico Alliance (29%), and Miren Invest (20%) are registered in an offshore jurisdiction in the Virgin Islands.

Veon Georgia's control stock is owned by Watertrail Industries which, according to the US Securities and Exchange Commission's 2015 data, is a subsidiary¹¹⁰ of VEON.¹¹¹

¹⁰⁸ Ownership type includes both legal and physical persons. Source: The GNCC analytical website, <https://analytics.gncc.ge/ka/>

¹⁰⁹ The Public Registry, <http://bit.ly/2lmlAdp>

¹¹⁰ The US Securities and Exchange Commission, <http://bit.ly/34agsCN>

¹¹¹ Prior to rebranding, VEON's name was Vimpelcom. The rebranding took place in 2017.

Investico Alliance is also affiliated with VEON.¹¹² No information is available on Miret Invest. Beeline's website also indicates that Veon Georgia is a member of the VEON group.¹¹³

According to the 2018 report of NASDAQ stock exchange (New York) where VEON's stocks are traded, its main owners are LIT - 47.85%, Telenor - 14.61%, Stichting Administratiekantoor - 8.31%.

LIT is a company established in Luxembourg and is linked with Russia's Alfa group. Specifically, in 2013, Alfa Group established LetterOne¹¹⁴ which is the sole owner of the LCIS company. LCIS owns LIT.¹¹⁵ Mikhail Fridman, Russian oligarch with close links to Russian President Vladimir Putin, is one of the founders of Alfa Group and the chairman of its board.¹¹⁶

Norwegian company Telenor co-founded VEON together with Alfa Group.¹¹⁷ However, following the corruption scandal in Uzbekistan in 2015, Telenor decided to gradually sell its share in VEON.¹¹⁸ Namely, Gulnara Karimova, daughter of the President of Uzbekistan, extorted millions of dollars from international communications companies, including VimpelCom (VEON) and the companies connected to it. They paid \$176 million in bribes to Karimova in order to protect their license for operating in the country. Consequently, investigations into the VimpelCom case began in several countries.¹¹⁹ Following a plea bargain in 2016, VimpelCom paid a \$795 million fine and the US Department of Justice found its Uzbekistani subsidiary Unitel LLC guilty.¹²⁰ Telenor completed the sale of its share in VEON in November 2019,¹²¹ resulting in an increase in the number of VEON's free float in the market.¹²²

Aside from Georgia, VEON operates in 10 other countries, including Russia, Armenia, Ukraine, Kazakhstan, Kyrgyzstan, Uzbekistan, Pakistan, and Algeria.¹²³

According to documents from the Georgian business registry, Investico Alliance's director is Teimuraz Aronia, a businessman with dual Russian-Georgian citizenship.¹²⁴ Offshore leaks contains the data from 2005, according to which Aronia also has a share

112 The US Securities and Exchange Commission, <http://bit.ly/34agsCN>

113 VEON website, <https://www.beeline.ge/company/about-company/>

114 Alfa Group website, <http://bit.ly/2L5h0TU>

115 VEON website, <https://www.veon.com/investors/equity-investors/share-ownership/>

116 Alfa Group website, <http://bit.ly/34zglwd>

117 <https://www.telenor.com/>

118 Disclosure of Scandinavian telecom companies' corruption in Uzbekistan: The role of investigative journalists, European Journal of Communication, 2018, <http://bit.ly/2DpBfaC>

119 How The President's Daughter Controlled The Telecom Industry, www.occrp.org, 22.03.2015, <http://bit.ly/2L7rcez>

120 Disclosure of Scandinavian telecom companies' corruption in Uzbekistan: The role of investigative journalists, European Journal of Communication, 2018, <http://bit.ly/2DpBfaC>

121 Norway's Telenor sold remaining VEON stake in \$362 million deal, www.reuters.com, 22.11.2019, <https://reut.rs/2R0RsLu>

122 VEON free float increases to 43.8%, www.veon.com, <http://bit.ly/2Oz5TVA>

123 VEON website, <https://www.veon.com/about-us/markets/>

124 The Public Registry, <http://bit.ly/2PV8tpH>

in Watertrail Industries, another of Beeline's owner companies.¹²⁵ Aronia is a member of telecommunications company Caucasus Online's board.¹²⁶ Caucasus Online owns 100% of Georgian Railway Telecom which holds a leading position in Georgia, as well as Armenia and Azerbaijan, in terms of the wholesale provision of Internet services.¹²⁷

According to the business registry, Teimuraz Aronia is involved in multiple companies,¹²⁸ including consulting company CBS Group (50%),¹²⁹ pharmacy chain Sakhalkho Aptiaki (20%), and the Med Project company (10.5%) which produces medical oxygen and supplies it to medical institutions.¹³⁰

Teimuraz Aronia's name appeared in the scandalous Panama Papers along with brothers Merab and Revaz Sharangia.¹³¹ It was Merab Sharangia that replaced Aronia in Veon Georgia's board. His brother Revaz Sharangia was also a member of the board in 2010.¹³² Merab Sharangia and his brother were considered businessmen with close links to the government during Saakashvili's presidency. He was believed to own multiple businesses, including the fixed route taxis in Tbilisi.¹³³

125 <https://offshoreleaks.icij.org/nodes/214959>

126 The Public Registry, <http://bit.ly/2xf17aG>

127 Caucasus Online, <http://www.co.ge/en/441/>

128 The Public Registry, <http://bit.ly/2rF4Xpj>

129 The Public Registry, <http://bit.ly/2TCAB2C>

130 <https://medproject.ge/#>

131 Georgians in Panama Black Box, www.forbe.ge, 16.06.2016, <http://bit.ly/36BdTMJ>

132 The Public Registry, <http://bit.ly/2PTBrX2>

133 Government Suppressing Drivers' Rebellion, 01.03.2011, <http://bit.ly/37Lu0rw>