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WHO OWNED GEORGIA 2003-2012

Transparency International Georgia in collaboration with journalist Paul Rimple have published a book: *Who Owned Georgia 2003-2012*. Written in the format of a novel it leads the reader through an interesting selection of short stories from the world of telecommunications to broadcasting, advertising, oil, pharmaceuticals and mining. These anecdotes describe the businessmen and the companies, past and current, who owned and controlled significant shares in important sectors of the Georgian economy and their ties with members of the former government.

Encompassing the period from 2003 until 2012 when control of Georgia's state institutions and large companies passed from one political regime and their allies to another. In this book the author has tried to establish the real people behind these companies, many of which are shell companies registered in offshore jurisdictions. This evocative glimpse of post revolutionary Georgia through a sample of case study industries will enable the reader to form a view and initiate a discussion on the current state of the country and who controls it.

Broadcasting and Telecommunication Sectors

The book evidences how national broadcasters in Georgia were owned, via a complicated web of companies registered offshore, by former members of the government and their relatives and that the Georgian National Communications Commission (GNCC), the sector regulator, gave preference to those shareholding companies by creating artificial barriers in the broadcasting and telecommunications market.

Advertising Market

During the past years a number of larger companies operating in this sector, such as Outdoor.ge, Magistar Media and General Media etc, were managed by individuals with close connections to the former Minister of Defense Davit Kezerashvili. A notable conflict of interest occurred when Irakli Chikovani, who while owning shares in Magistar Media continued to act as head of the GNCC, the sector regulator.

Oil Import and Distribution

The author details how Davit Kezerashvili's commercial reach also extended to the oil sector. Gulf, one of the largest companies operating in this sector was owned by him. The second largest oil company in Georgia, Wissol, forms part of another TI Georgia report for and this book evidences how the company labels one of its brand petrols Api Super as being from Italy, while actually exporting it from Greece.

Pharmaceutical Market

The current pharmaceuticals market is an oligopoly displaying anti-competitive practices that limit competition in the sector. Our research evidences how the largest companies operating in this market, PSP, Aversi Pharma and GPC have all made large donations to the then ruling party, the United National Movement. The owner of PSP is still a current member of Parliament.

Infrastructure Development

The companies engaged in infrastructure development and construction were owned by individuals with close ties to the then government. These companies were allowed to buy properties for a price significantly lower than their actual market value. In some cases these properties were then resold generating a high profit for the owners at a loss to the state. These violations and those perpetrated against Cartu Bank, owned by Bidzina Ivanishvili, the current Prime Minister and then leader of the opposition could not have been possible without the implicit involvement of the President and Parliament of Georgia, which enacted the necessary legislative amendments.

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The Tbilisi development Fund and Old City Reconstruction Fund for example, were gifted a significant number of properties from the Tbilisi City Hall, the City Hall while legally accountable to public for these properties, refused to provide detailed information on these events.

Mining

In Georgia the mining sector is tightly controlled by a myriad of offshore registered companies.

Among the author's findings is that the Georgian mining industry frequently overlooks the safety of its labor force and the resulting workplace accidents are blamed on miners.

In the process of writing of the book significant changes have taken place in the Georgian political environment with the opposition coming to power. In autumn of 2012 the change of government resulting was immediately followed by changes in the ownership of these companies, as those once close to the then government, sought to distance themselves.

Transparency International Georgia plans to continue reviewing and documenting the development of business sector in Georgia.

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The views expressed in the report do not necessarily coincide with those of the Open Society Georgia Foundation, therefore the organisation is not responsible for the report's content.