

The Georgian Advertising Market

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Several stakeholders responded to this report after it was presented to the public. These comments are reflected in footnotes, added in January 2012.

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Executive Summary

The Georgian advertising sector is characterized by a lack of competition and strong market concentration, with large parts of the sector under control of a network of close friends and relatives with ties to former Defense Minister Davit Kezerashvili. The TV advertising sales house General Media commands a de-facto monopoly on national TV ad-slots; Outdoor.ge has a dominant position in outdoor advertising in Tbilisi.

Little data on the reach and audience of media outlets is available, with the exception of TV ratings for several national (Imedi TV, Rustavi 2, 1st Channel, Adjara) and a few smaller Tbilisi-based stations (Enki-Benki, Evrika, Kavkasia, Maestro, Mze, Real TV, Region TV, Sakartvelo, TV Music Box).¹ No independently verified numbers are available for printed media, samples for existing radio and TV monitoring mechanisms are too small to provide a representative picture of the audience of most media outlets operating in the regions. This lack of hard audience data makes it even more difficult for independent outlets to attract advertisers.

In the private sector, a climate of self-censorship persists and advertisers remain reluctant to cooperate with outlets that are known for their critical views, fearing negative consequences for their businesses.

Net advertising in 2010 was between USD 43 and 46.5 million. TV remains Georgians' dominant source of information on current events as well as the largest sector of the advertising market, accounting for 78% percent of all advertising spending. Radio accounts for about 7% of gross advertising spending, outdoor for about 6% and newspapers and magazines each for about 4% of total advertising spending. The share of online advertising remains around one percent and thus below USD 1 million.

The Georgian government has taken a 70% share in a chain of newspaper kiosks that are also used as outdoor advertising sights. The Georgian Public Registry has, by tailoring a tender for classified housing ads to the *24 Hours* newspaper worth more than GEL 120,000, interfered in and potentially distorted the market for classified ads. Government controlled entities keep providing targeted financial support to specific media outlets through advertisements.

Recommendations

From this research, TI Georgia has derived the following recommendations to stakeholders in order to improve the competitiveness and development of the Georgian advertising sector, benefiting the independence and sustainability of the media and growth of the private sector.

Media outlets and media associations

- Should work together to extend existing data collection efforts (TV) and develop new surveys and tools to measure reach and audiences in different sectors (radio, print, online), providing media outlets and advertisers with an impartial and representative picture that covers large

¹ AGB Nielsen Georgia (2011). <http://www.agbnielsen.net/whereweare/georgia.asp>, accessed November 2, 2011.

parts of the Georgian population. Donors should consider supporting such efforts in order to allow media outlets, including those in the regions, to use hard data to attract advertisers, providing more incentives for outlets to work hard on increasing their audience.

- Independent outlets should pool their resources and work together in order to educate and attract advertisers, including small and medium size enterprises. Close cooperation in ad-sales will allow also smaller outlets to offer clients attractive packages, allowing companies to reach their target audiences in different parts of Georgia and through a number of channels.
- Online news outlets should raise awareness among their audience that independent journalism needs to be supported financially. Media outlets must not be complacent but try creative and innovative approaches and develop new business models which in the long-run will help them to improve their financial sustainability and build closer ties with their core audience.
- All media outlets that strive for high quality in reporting should ensure a clear separation of advertising/sponsorship and editorial content; paid content should be labeled appropriately.
- Broadcasters should see new revenue and ownership disclosure requirements that come into force in early 2012 as an opportunity to educate their audience about their sources of revenue. The Georgian Public Broadcaster (GPB) should work to increase citizen's awareness about its sources of revenue – taxpayers' money – and thus improve knowledge and understanding of the GPB's role and mission.

The Georgian government

- Government actors should not interfere and distort the media and advertising market, for example through subsidized classified ads that only benefit a particular media outlet. Government agencies and government owned companies should refrain from targeted advertising campaigns with single media outlets but ensure that tax payer money is distributed in a fair, competitive and transparent way. Government agencies should pro-actively disclose on their websites and in their annual reports how much money was spent on advertising and which media outlets or providers of outdoor advertising were beneficiaries of this spending.
- Members of the Georgian National Communications Commission should respect existing conflict of interest rules. These rules should be properly enforced and, if necessary, further specified and extended in order to strengthen the credibility of the GNCC as an impartial regulator.
- The GNCC should pro-actively release findings of advertising monitoring it is conducting on its website.
- The government should soon address and resolve the unclear status of Adjara TV, a government broadcaster without an appropriate legal framework that distorts the local advertising market in Adjara.
- Policy makers should consider to amend the tax code to allow media outlets the use unsold advertising space for barter advertisements with other media outlets and to provide ad space to charities without having to pay taxes on these ads that do not generate revenue for them.

Introduction

A healthy and well developed advertising sector is the key to a strong and sustainable media sector and a competitive business environment. In the long-run, media outlets can only be independent if they can operate without a loss and receive income from a large number of sources, so that no single actor can put financial pressure on an outlet and its journalists and interfere with its editorial policies.

A strong, independent, pluralistic and sustainable media landscape that can hold leaders accountable, investigate corruption and other important issues and inform and educate their audience is a key pillar for the democratic development of Georgia.

Given the populations limited purchasing power, advertising revenue is the most important source of financing for almost any media outlet. However, eight years after the Rose Revolution, Georgian media outlets, with a few exceptions, are not financially sustainable. Most outlets that offer professional journalism, reliable information and fair and accurate analysis can only do so because they are supported by international donors. Other outlets are subsidized by their owners, who often exploit their outlets in order to pursue their own personal and political goals.

Georgia has quickly recovered from the 2008 war and the global economic crisis and is seeing strong growth. However, this growth of the economy is currently not mirrored in strong growth in advertising sector which one would expect to see.

This report aims to analyze what factors are holding back the development of the Georgian advertising sector – and thus the country's potential to become the region's leader in media and creative industries. This analysis is based on numerous interviews with insiders and observers of the advertising sector – many of whom expressed the wish to not be named – available data, media reports and public documents.

Distribution of advertising expenditure by sector

The largest share of advertising spending in Georgia, an estimated 78%, goes to television, most importantly the two national private channels Imedi TV and Rustavi 2, which have a combined audience market share of about 60%.² Television has a more dominant role in Georgia than in most other countries in the region. In Central and Eastern Europe (CEE), television accounts for about 55.7% of all gross advertising spending, according to estimates by ZenithOptimedia for the year 2009.³

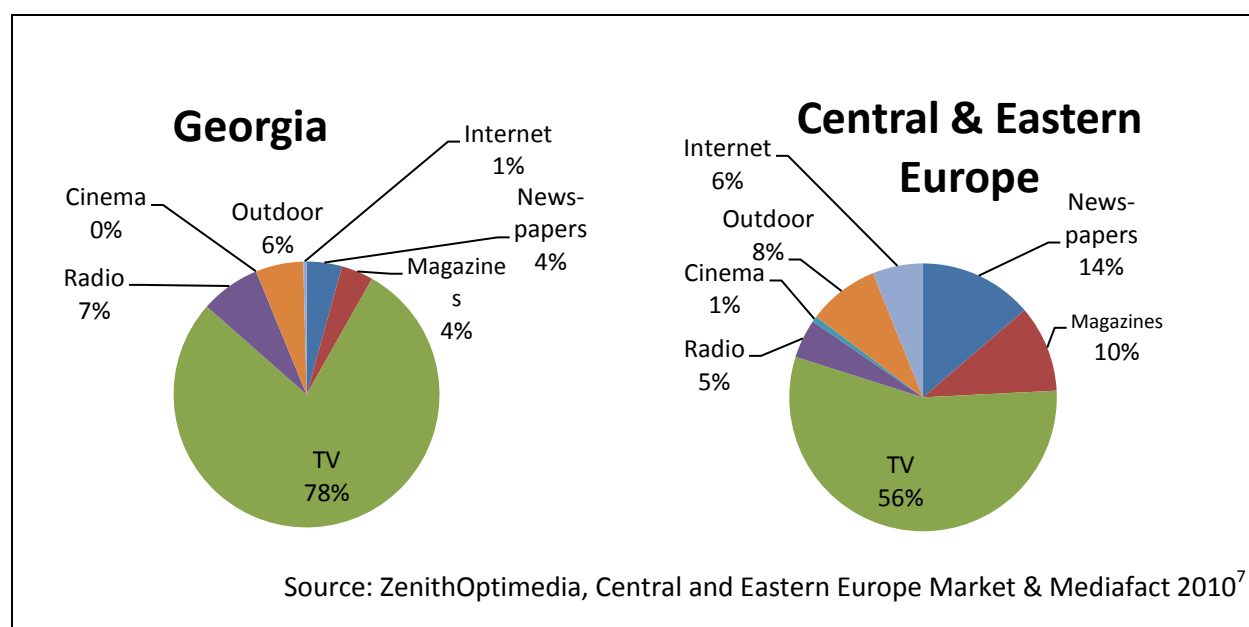
Georgia has one of the weakest print sectors in the region in terms of attracting advertising revenue. 4.3% of total advertising spending reaches newspapers (this number does not include classified ads, CEE:

² A market share of 60% means that out of 100 minutes spent in front of the TV in Georgia, 60 minutes are spent watching Imedi TV and Rustavi 2. This data is measured electronically by AGB Nielsen Georgia and is representative for the country's urban population.

³ This average is based on data from Armenia, Azerbaijan, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Greece, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine, Uzbekistan. ZenithOptimedia (2010): Central and Eastern Europe Market & Mediafact 2010, p. 3.

13.7%), 3.9% goes to magazines (CEE: 10.5%). Radio is estimated to account for about 7.8% of total gross advertising spending (CEE: 4.7%) and outdoor advertising for 5.8% (CEE: 8.6%).⁴ Online advertising in Georgia is significantly lower than region's average: Less than 1% of advertising spending in Georgia is estimated to reach online outlets,⁵ while the average in the wider region is 6.1%.⁶

Distribution of gross advertising expenditure – comparison between Georgia and Central & Eastern Europe (2009 data):



The above estimates are based on gross advertising spending, meaning that the numbers are calculated through monitoring of, for example, how many ads are shown on a TV station, and multiplying this number with the TV station's official price list for advertising. Discounts that media outlets grant to advertisers vary and can be very significant, depending on the media outlet, the dynamics in a specific market, the volume of advertising space an advertising client buys and the client's negotiation skills. It is also possible that a media outlet provides free advertising space to another media outlet in a barter advertising deal, or for an event or initiative it supports. However, a media outlet in Georgia has to pay taxes on barter advertisements based on its price lists, even if it only exchanges advertising space with another media outlet and no money changes hands.

Net advertising expenditure

Gross advertising spending for 2009 was estimated at GEL 192 million/USD 115 million.⁸ It is crucial to distinguish between gross and net advertising spending: While gross spending can be monitored, net

⁴ Ibid.

⁵ Including ads displayed in internet search engines.

⁶ ZenithOptimedia (2010): Central and Eastern Europe Market & Mediafact 2010, p. 3.

⁷ Georgia data: Before discounts, classifieds excluded, production costs excluded, agency commission excluded, internet includes search.

⁸ Ibid. Exchange rate used for 2009: USD 1 = GEL 1.67.

advertising is more difficult to estimate, because discounts and special conditions granted to advertisers are only known to the media outlet and the advertiser. For the purpose of this report, net advertising spending is the number that really matters because it shows the amount of advertising revenue that media outlets actually receive.

For 2010, the country's private broadcasters reported an accumulate total income of GEL 69,269,739, according to data from the Georgian National Communications Commission (GNCC), the regulator which collects data from broadcasters that are subject to its licensing regime. This number included revenue of GEL 53,853,289 from commercials, as well as revenues of GEL 4,414,644 from sponsored programs and income of GEL 121,565 from teleshopping (no data is available on the sources of the remaining GEL 10,880,241).⁹ The Georgian Public Broadcaster reported advertising revenue of GEL 3.52 million for 2010. Total television advertising expenditure thus reached GEL 61,793,225 (USD 34,974,965).¹⁰

The country's private radio stations reported total revenue of GEL 6,982,289 to the GNCC for 2010, including income of GEL 3,844,670 from advertising and GEL 27,915 from teleshopping programs. Radios also reported GEL 935,625 of income from donations, leaving GEL 3,137,619 of unaccounted revenues. The two radio stations operated by the Georgian Public Broadcaster generated advertising revenues of GEL 23,343 in 2010.¹¹ Total net advertising spending on radio added up to GEL 3,868,013 (USD 2,205,095).

For outdoor, print and online advertising spending, no detailed and reliable data is available, as there are no licensing or reporting requirements for these sectors. TI Georgia estimates that net outdoor advertising expenditure in 2010 was in the range from USD 2 to 4 million, net online advertising between USD 0.5 and USD 1 million and expenditure on print advertising around USD 3.5 to 4.5 million.¹² Thus, we estimate that net advertising expenditure in Georgia in 2010 was between USD 43 and 46.5 million.

⁹ Georgian National Communications Commission (2011): Annual Report 2010, p. 49.

http://gncc.ge/files/3100_2949_428297_%E1%83%AC%E1%83%9A%E1%83%98%E1%83%A3%E1%83%A0%E1%83%98%20%E1%83%90%E1%83%9C%E1%83%92%E1%83%90%E1%83%A0%E1%83%98%E1%83%A8%E1%83%98%202010.pdf

¹⁰ Exchange rate: GEL 1 = USD 0.566.

¹¹ Georgian Public Broadcasters response to a freedom of information request by TI Georgia (#2905/02), received September 7, 2011.

¹² These numbers should be treated with appropriate caution and be seen as an approximation. TI Georgia's estimate is based on 2009 data from ZenithOptimedia and AGB Nielsen, on data published by the GNCC and the Public Broadcaster and on anecdotal evidence from people working in the advertising and media sector.

Key Characteristics of the Georgian advertising market

Lack of data

Most Georgian media outlets do not have comprehensive and independently verified data about their reach and audience. This lack of data has made it difficult for independent media outlets to make a strong case to potential advertisers that they can provide good value for money, especially to international advertisers who measure the reach and impact of their campaigns using gross rating points (GRPs).¹³ If a media outlet cannot provide these numbers, the company won't consider advertising there. Television is the only sector where a sufficient amount of widely accepted audience data is available; however the sample measured with electronic boxes that are attached to a household's TV set, so-called people meters, only covers the country's urban population and thus does not provide useful data to many local TV stations. There is no independently monitored and verified data on printed, distributed or sold print circulations, nor are any in-depth, cross-media audience surveys carried out. For radio, a commercial provider has conducted an annual omnibus survey, however also in this case the sample of 500 people is too small in order to provide most regional and local stations with insights and comprehensive data. For websites, audience measurement is easy and can be implemented by each webmaster without significant costs. Top.ge is a popular traffic measurement tool widely used by Georgian websites. There is no site ranking social media activity in Georgia yet.

Dominant market actors and lack of competition

TI Georgia found that a small but closely interlinked network of friends and business partners control a large part of the Georgian advertising sector and thus have high leverage over the development and sustainability of the Georgian media sector. A large part of the advertising sector lacks transparency, a number of companies seem to be run by front men and dominant actors such as General Media and Outdoor.ge do not even have operational websites. Analyzing the ownership structure of the advertising sector, TI Georgia found numerous off-shore shell companies registered in Panama and the British Virgin Islands to conceal ownership and financial flows, as well as a suspiciously high number of changes in ownership structures of single companies.

The fact that a number of key companies are controlled by relatives or close friends of current government officials or former high-level government/ruling party members raises not only questions about conflicts of interest, but also about competitiveness and political independence, potentially posing a major burden on the development of Georgia's creative industry and media sector.

Davit Kezerashvili, who served as Georgia's Defense Minister from 2006 to 2008, with the help of a network of close friends and family members, is widely believed to have taken control over large parts

¹³ Gross Rating Points – GRP – are an advertising term used to measure the size of an audience reached by an ad campaign. The GRP is calculated by multiplying the target audience reached by an ad times the frequency the target audience has seen the ad. http://en.wikipedia.org/wiki/Gross_rating_point, accessed October 31, 2011; Katz, Helen (2010): The Media Handbook – A Complete Guide to Advertising Media Selection, Planning, Research and Buying. Routledge, p. 121.

of the Georgian advertising sector. Dimitri Chikovani, Kezerashvili's brother-in-law, has become a key player in the advertising sector, company records show.¹⁴

The lack of a free and competitive advertising sector could also further exacerbate an uneven playing field ahead of the 2012 Parliamentary elections, if opposition parties are not granted the same access and conditions to advertising as the ruling party.

The influence of politics

Independent media outlets that publish sensitive political stories have had difficulties to attract advertising for several years. Among large parts of the private sector, a climate of self-censorship persists, as business leaders still regard advertising with independent media outlets as a potential risk for the success of their enterprise – a risk many do not want to take. Ahead of the 2012 Parliamentary elections, it seems unlikely that this climate will change significantly.

TI Georgia has seen advertising contracts that advertisers had signed with Kavkasia TV, an independent Tbilisi-based station, and the opposition-affiliated Maestro TV, that were canceled and withdrawn by the client a few days later – because of political pressure, representatives of these outlets say. The publishers of the weekly news magazine Liberali and the Batumi-based weekly Batumelebi newspaper have had similar experiences in the past.

“I do not think that there is one person in the government who is calling every single company, warning them not to bring their advertisement here or there, but many companies tell us that because of ‘hot political content’ they do not want to advertise in our magazine”, says Shorena Shaverdashvili, editor-in-chief of the Liberali. “They fear that if they do so, they will offend the government which will cause financial problems for them with the financial police or tax authorities.” Shaverdashvili says that independent media is struggling to survive in a climate where a large amount of advertising is allocated according to the loyalty of a media outlets towards the government. “How this climate is created? The same players who control parts of the media have also monopolized the advertising sector”, Shaverdashvili says.¹⁵

Unsustainably low prices

Advertising expenditure in Georgia is currently too small to support all existing media outlets. Most independent outlets that are involved in investigative reporting are dependent on support from international donors. The larger part of Georgian media outlets is not financially sustainable, only very few have found business models that allow them to generate profits –the Kviris Palitra holding is one such prominent example. Not only small outlets in the regions, also major Tbilisi-based outlets, including the country's largest outlet, Imedi TV,¹⁶ operate in the red – in a year with about 5% economic growth.¹⁷

¹⁴ Among other posts, Chikovani until September served as the CEO of Outdoor.ge, the country's leading outdoor advertising company. Chikovani's position in public company records was changed a few days after TI Georgia requested an interview with Outdoor.ge, for which also the new management was not available.

¹⁵ TI Georgia interview with Shorena Shaverdashvili, September 2011.

¹⁶ TI Georgia interview with Giorgi Lominadze, CEO of Imedi, September 2011.

Media planners are starting to lament a lack of innovation and interesting programs that would draw large crowds of Georgians in front of their TVs.

The cost to reach 1,000 viewers with a TV ad (CPT) has remained extraordinarily low in Georgia, compared with neighboring countries. As a result of low costs for national television ads, there are little incentives for advertisers to move parts of their campaigns from Rustavi 2 and Imedi to smaller TV stations, print, online or radio advertising and diversify their spending. Thus, a large share of advertising revenue stays with the two national channels.

Because of limited advertising revenues, most media outlets besides Imedi and Rustavi 2 are stuck in a vicious circle. They can only offer low salaries and miserable working conditions for journalists. Well-trained journalists thus often leave the sector as soon as they have an opportunity to do so. Deprived of their best people, media outlets are struggling to increase their quality and audience and lack resources to invest in innovative distribution channels or creating a better and more appealing product. Without larger reach and data that can highlight an outlet's impact, advertisers stay with national TV. An amendment to the law on advertising in April, allowing for an increase of TV advertising time of up to 20% of their daily broadcast time has not helped in putting upward-pressure on ad prices.

Potential for growth

The Georgian advertising sector has significant growth potential, although a number of individuals in the media and advertising sector, especially those working with independent outlets, painted a fairly bleak picture in talks with TI Georgia, showing low expectations for the sector's mid-term development. Monopolization of the advertising sector, a lack of competition in several key sectors of the economy and political involvement and pressure on potential advertisers are undermining growth, several observers told TI Georgia.

However, if TV ad-prices were allowed to rise gradually and economic growth in Georgia remains consistent, a real growth rate of advertising expenditure of 15 or 20 percent per year seems achievable. Online, radio and print are likely to see significant growth if reliable audience data on these sectors becomes available. This would also contribute to further professionalization of the advertising sector, with Georgian companies using a data-based approach to reach their target audiences rather than gut feeling and intuition.

TV as the dominant source of information, Internet on the rise

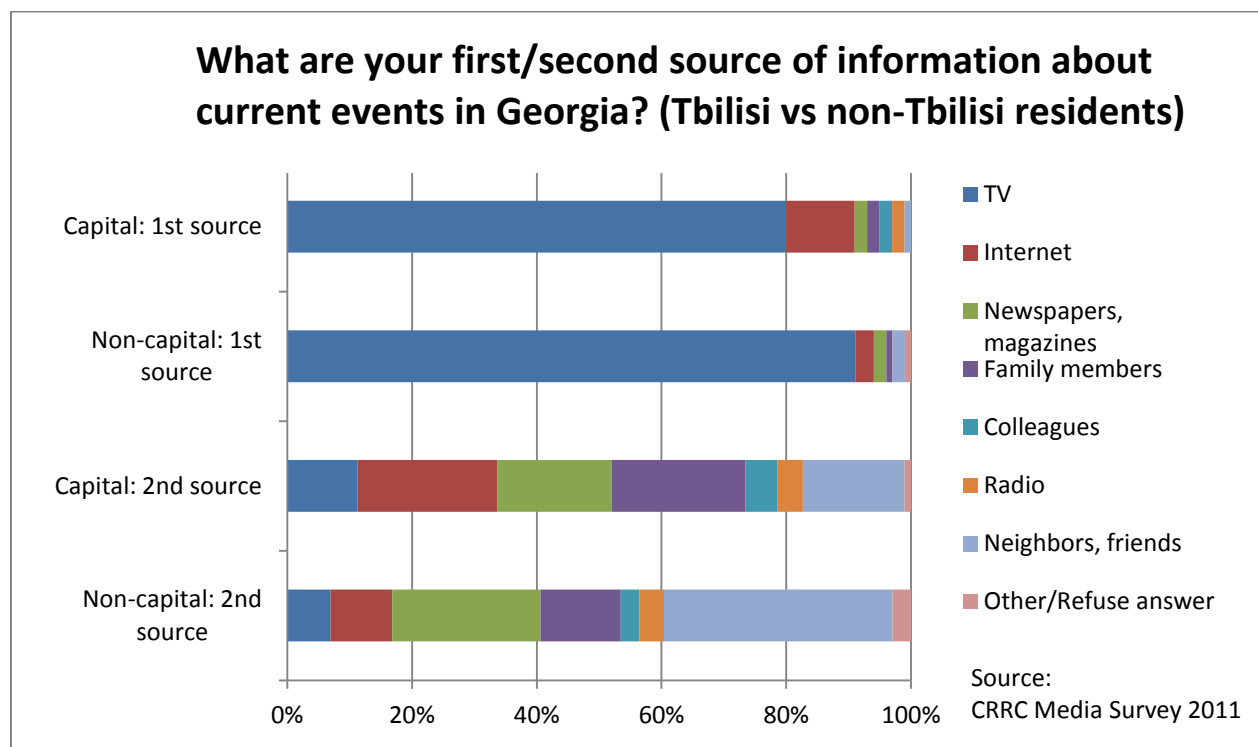
Georgians' trust in the independence of the media from government is limited, a recent poll by the Caucasus Research Resource Centers (CRRRC) found. More than half of respondents said that the media is

¹⁷ Civil.ge (2011): Geostat Reports H1 5.2% GDP Growth, 19 September 2011. <http://civil.ge/eng/article.php?id=23941>, accessed October 30, 2011.

completely or somewhat dependent on the Georgian government, only about a quarter of respondents said that the media was quite or completely free from the government.¹⁸

At the same time, the concept of free and independent media being a cornerstone of a democratic system of checks and balances is still not fully entrenched in all parts of society. Asked if they thought the government should have the right to check what information is to be reported, 26% of respondents said yes, 59% said no.¹⁹

The most important source of information on current affairs in Georgia is television, in Tbilisi 80% of people first turn to their TVs for news, in the regions this rate is beyond 90%. For people living in Tbilisi, especially people in their 20s and 30s, the internet has become an important source of information and is already more important than print media, CRRC's media survey suggests. This trend is not reflected in the allocation of advertising expenditure yet.²⁰ The potential of radio as a source for breaking news, background information and analysis has not been fully developed yet. Informal passing on of information through friends and family remains a key factor in Georgian public debates, at time facilitating the spreading of rumors and speculations.



¹⁸ National Face-to-Face survey of Georgians older than 18 years, Sample: 2,009 people. Caucasus Research Resource Centers. (2011): Media Survey 2011, retrieved through ODA. <http://www.crrc.ge/oda/> on October 29, 2011.

¹⁹ Ibid.

²⁰ Ibid.

TV advertising

Georgians watch on average 253 minutes of TV per day.²¹ About 50% of households are connected to a cable provider; about 10% of households have a satellite dish.²² Georgia has committed to switching from analogue to digital terrestrial broadcasting by 2015.

Television largely determines Georgians' perception of current affairs.²³ 94% of Georgians say that they get information on current events from national TV channels several times a week or every day, according to a poll by CRRC.²⁴

47 TV stations hold terrestrial broadcasting licenses in Georgia, four stations hold licenses for cable broadcasting.²⁵ The Georgian Public Broadcaster operates two channels that can be received via analogue antenna, Channel 1 and 2, as well as a Russian language satellite news channel, Kanal PIK. The autonomous government of the Adjara province operates its own channel, Adjara TV, which continues to broadcast although its operation is not legitimized by Georgian legislation and received state funding of GEL 6,296,770 in 2011.²⁶

About half of all private sector ad-spending is estimated to originate from non-Georgian companies. Some of the biggest spenders are international producers of fast moving consumer goods, other important advertising sectors include telecommunications, banks, the health sector and government agencies.

Top private sector TV advertisers (January to September 2011, by gross spending)

1. Procter & Gamble	11. Aversi	21. GPC	31. Penthouse Club
2. Geocell	12. Colgate Palmolive	22. Aldagi-BCI	32. Ficosota Syntez
3. Kraft	13. PSP	23. Wrigley's	33. Respublika Bank
4. Magti GSM	14. Reckitt Benckiser	24. Coca Cola	34. Liberty Bank
5. Saqartvelos Banki	15. Georgian Lottery	25. GPI Holding	35. Barambo
6. Mobitel	16. GlaxoSmithKline	26. Castel	36. Wimm-Bill-Dann Georgia
7. Ludsakharshi Natakhtari	17. Berta	27. Unilever	37. Procredit Bank
8. TBC Bank	18. Nestle	28. Saqartvelos Kinoteatrebi	38. Beko
9. Silknet	19. Schwarzkopf	29. Tbilisi Event Hall	39. Italfood
10. Mars	20. Henkel	30. Elit Electronics	40. Openrevolution Georgia

Source: AGB Nielsen Georgia

²¹ Interview with AGB Nielsen Georgia, August 2011.

²² Ibid.

²³ In a 2011 CRRC poll, 48% of respondents said that overall, television determines what people think about current events in Georgia, 12% disagreed. Caucasus Research Resource Centers. (2011): Media Survey 2011, retrieved through ODA. <http://www.crrc.ge/oda/> on October 29, 2011.

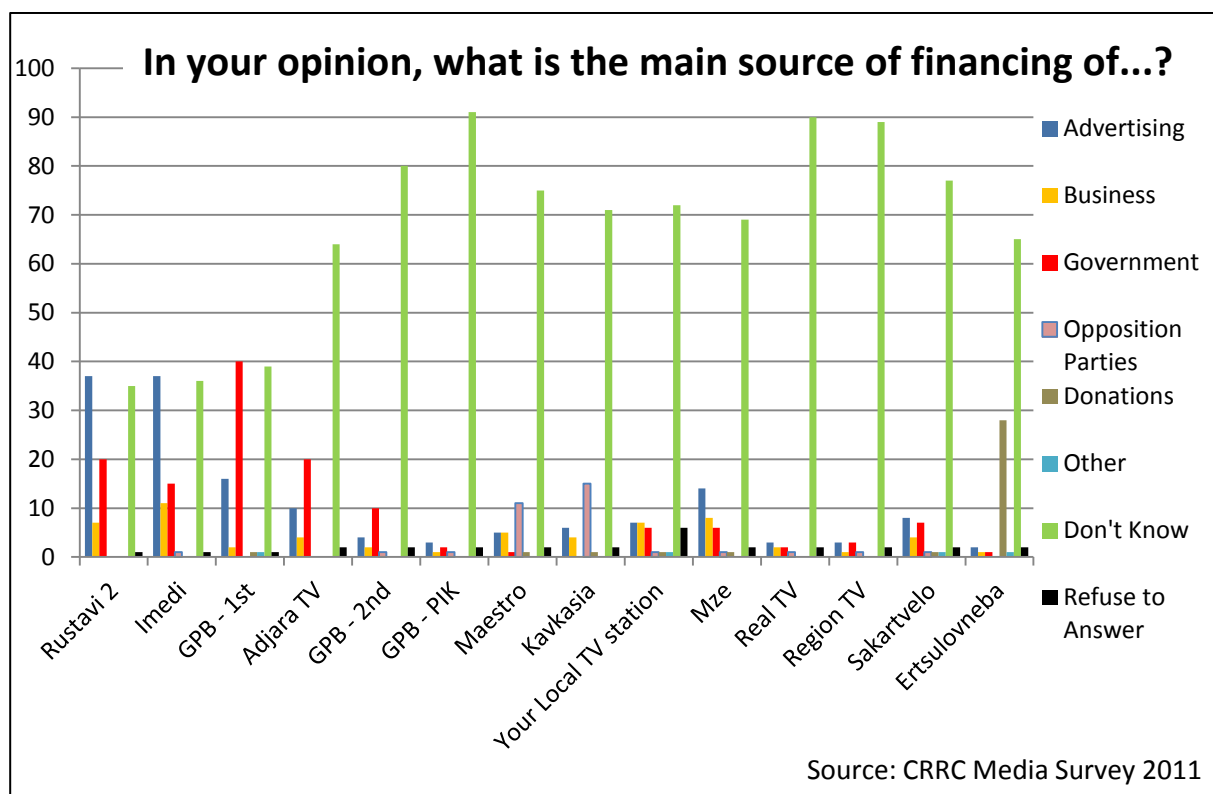
²⁴ Ibid.

²⁵ IREX (2011): Media Sustainability Index 2011, p.142.

http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 20, 2011.

²⁶ Adjara TV - the official name is Department of Adjarian AR Television and Radio Broadcasting -, is part of the regional government in Batumi and received GEL 6,142,614 in 2010 and GEL 6,296,770 in 2011 from the local budget. The draft budget for 2012 allocates GEL 6,647,800 to the station. High Council of Adjara: Law on the 2010 and 2011 Budgets of the Autonomous Republic of Adjara, retrieved through <http://www.matsne.gov.ge>, October 31, 2011.

Television is the media sector in Georgia with the best and most comprehensive data available. AGB Nielsen Georgia is using people meter, electronic tools that record TV consumption, in 140 households in Tbilisi and 190 households in six major cities with more than 40,000 inhabitants. Thus, AGB Nielsen is able to provide a comprehensive picture of TV stations' urban television audience. For most independent stations in the regions, however, the sample is not large enough to provide them with relevant data. International advertisers generally use gross rating points (GRP) to place their ads and thus only consider stations that can provide the required audience data. A CRRC survey suggests that local TV stations are quite popular, although this is not reflected by AGB Nielsen's data (as the sample only covers an urban population): 38% of respondents said that they turn to a local TV channel for information on their province several times a week.²⁷ Nonetheless, most advertising money stays in the capital. According to the Georgian Association of Regional Broadcasters (GARB), its 22 local member stations had accumulative revenues of only about GEL 1.1 million in 2010.²⁸ About 70 percent of companies' revenues came from obituaries and personal messages from viewers.²⁹



In a step that will significantly improve the transparency and accountability of media outlets, broadcasting license holders will be required to not only disclose detailed information about their management and beneficiary owners to the GNCC, but also a breakdown of revenues from advertising and other sources, starting from early 2012. The regulator will then publish this data online. CRRC data

²⁷ Ibid.

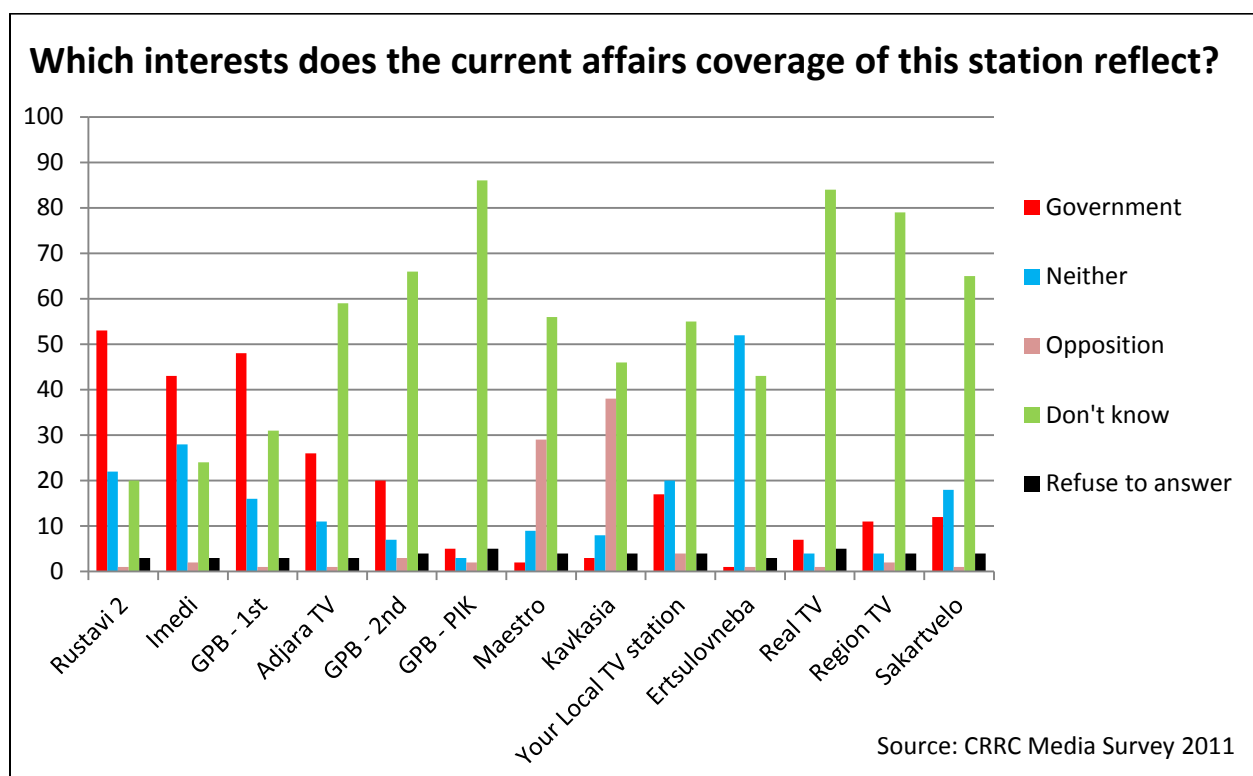
²⁸ TI Georgia interview with a representative of GARB, August 2011.

²⁹ IREX (2011): Media Sustainability Index 2011, p.152.

http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 20, 2011.

shows that currently large parts of the Georgian public do not know how TV stations are financed, including the three channels of the Georgian Public Broadcaster.³⁰

Most Georgians believe that the owners of TV stations exercise significant editorial influence: 36% say they think media owners influence what is shown on newscasts to a great extent, 28% say they owners influence the news to a small extent (31% said they don't know, 4% said they don't believe that the ownership is reflected on newscasts), according to a poll by CRRC.³¹ More than 40% say that current affairs coverage by Imedi TV and the GPB favors the government, more than 50% say that is the case with Rustavi 2's news. While Maestro and Kavkasia are seen as favoring opposition parties, a number of other channels are not seen as taking clear political sides.³²



Systematic violations of advertising regulation

In 2010, investigative reporters of Studio Monitor exposed systematic violations of advertising rules by several TV stations, most importantly the leading national channels, Imedi TV and Rustavi 2.³³ In fall, the reporters filed a complaint to the regulator, the GNCC, after which the Commission issued a warning to

³⁰ Caucasus Research Resource Centers. (2011): Media Survey 2011, retrieved through ODA. <http://www.crrc.ge/oda/> on October 29, 2011.

³¹ Ibid.

³² Ibid.

³³ Studio Monitor (2010): Advertising Beyond the Law, October 16, 2010. http://monitori.ge/video_blank.php?vid=217, accessed October 20, 2011.

the two channels. In spring 2011, Monitor filed another complaint to the GNCC, as the reporters had documented that systematic violations of advertising rules continued after the GNCC's warning. As a result, the GNCC issued a minor fine of GEL 2,500 to each, Imedi TV and Rustavi 2.³⁴

In April 2011, Parliament amended the laws on advertising and broadcasting. Most importantly, the maximum time TV channels are allowed to show advertising was increased to 20% of a channel's daily broadcast time.³⁵ As supply of available advertising slots was increased, the new rules are undermining efforts to put upward pressure on advertising prices.

GNCC leadership: conflict of interest

The Georgian National Communications Commission is charged with monitoring and regulating electronic communication in Georgia, including compliance with broadcast advertising.

Before Irakli Chikovani became head of the GNCC in summer 2009, he was the director and co-owner of the Rustavi 2 channel. After he had taken over the leadership of the regulator, Chikovani for a year remained co-owner of MediaHouse, one of the country's two major media sales houses, selling advertising time on Rustavi 2, Mze and several other channels, generated income of almost GEL one million for Chikovani, in a sector that he himself was overseeing as Chairman of the GNCC. In 2010, Chikovani sold MediaHouse, its clients were taken over by General Media, the new monopoly advertising sales house.

Irakli Chikovani (GNCC), income from private sector activities³⁶

Income 2009-2010	Income 2010-2011
MediaHouse (GEL 971,584)	MediaHouse (GEL 270,474 - sold in 2010)
Magi Style Media (GEL 17,564)	Magi Style Media (GEL 201,708)
Magi Style (GEL 128,345)	Magi Style (GEL 475,245)
Bedegi (GEL 17,050)	Bedegi (GEL 28,478)
Total: GEL 1,134,543	Total: GEL 975,905

The Law on Broadcasting is quite clear on conflict of interest rules for Commissioners: A "Conflict of interest may arise if a Commissioner simultaneously: (...) c) provides any remunerated work for an entity, whose activity is subject to regulation by the Commission; d) holds shares or part of the fixed capital of an enterprise, whose activity is subject to regulation by the Commission; f) has any other direct or indirect financial interest towards an entity, whose activity is subject to regulation by the

³⁴ Dzvelishvili, Nata (2011) Rustavi 2 and Imedi TV being Imposed Fine of GEL 2,500 Per Each, May 12, 2011. <http://www.media.ge/node/41084>, accessed October 20, 2011.

³⁵ Other limitations continue to apply, please see Appendix 1 for details.

³⁶ Income and asset declarations 2010 and 2011 of Irakli Chikovani, available on <http://declaration.ge>, accessed October 25, 2011.

Commission.”³⁷ The head of the GNCC’s legal department has argued that Chikovani’s activities are in no way violating conflict of interest rules.³⁸

Chikovani has remained a shareholder in the construction company Bedegi, of which he owns 10%. Among his business partners is Giorgi Gegeshidze (who owns 7% in Bedegi), who is also director of Rustavi 2, one of the two largest TV channels, which is subject to the GNCC’s regulation.³⁹ Together with Gegeshidze, Chikovani also owns Magi Style, a construction company, which is involved in building the new Parliament in Kutasisi – Parliament is the institution that could dismiss Chikovani for violating conflict of interest rules.⁴⁰ Chikovani also co-owns Magi Style Media, an advertising agency that, among other services, offers outdoor advertising, broadcast design and the production of TV ads. With his business activities, Chikovani has earned GEL 1.13 million in 2009 and GEL 975,000 in 2010, according to his asset declaration which he had to file as a public official. As the head of the GNCC, Irakli Chikovani earned GEL 241,200.88 in 2010, according to his 2011 income and asset declaration. In comparison: President Mikheil Saakashvili’s 2010 salary was GEL 56,640, according to his income declaration.^{41,42}

³⁷ Law on Broadcasting, Article 12.

³⁸ Dzvelishvili, Nata (2011): Conflict of interest at GNCC. http://www.media.ge/en/content/conflict_of_interest_at, accessed November 2, 2011.

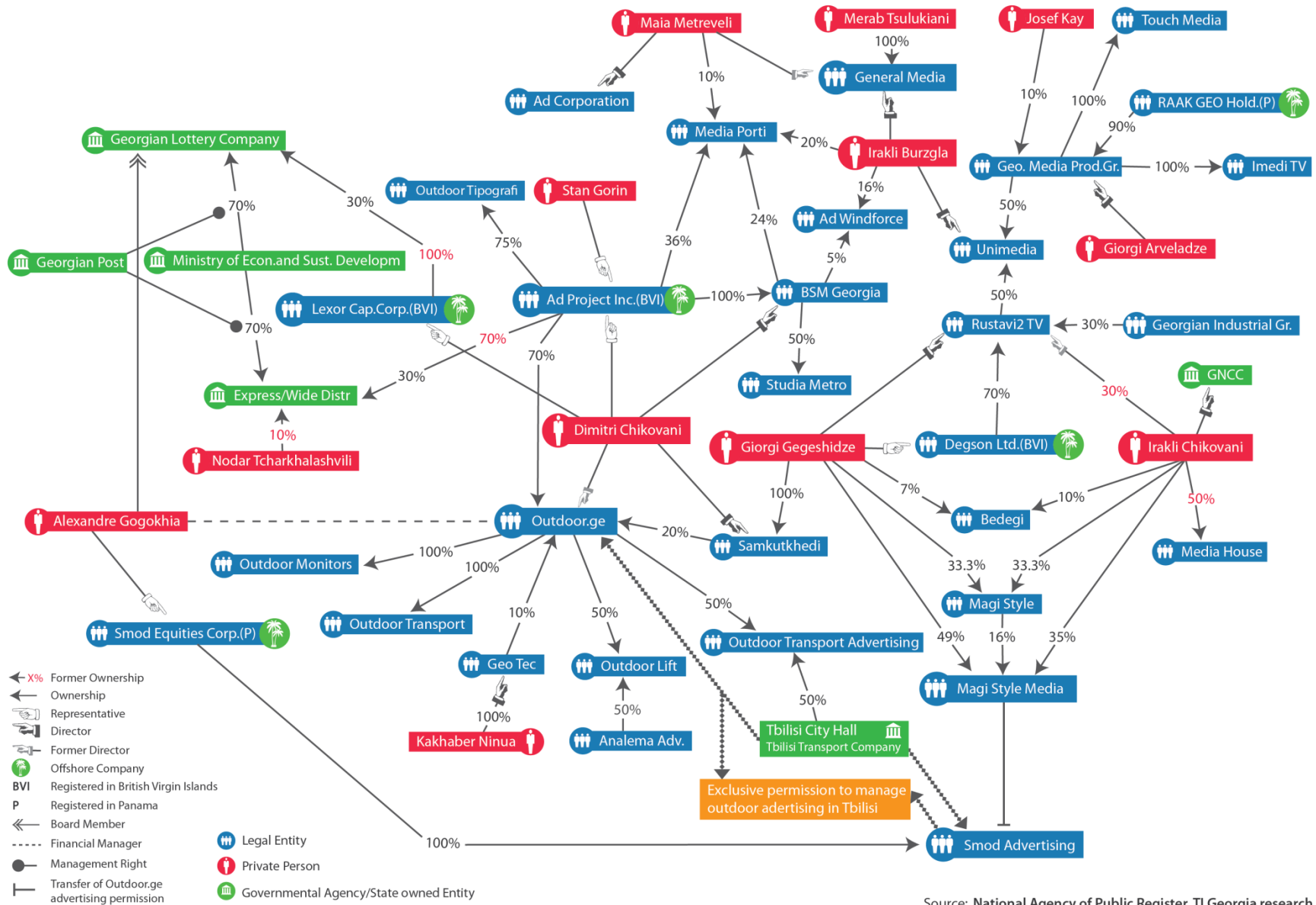
³⁹ Georgian Public Registry: Company Registry. <https://public.reestri.gov.ge>, accessed September 7, 2011.

⁴⁰ According to the Magi Style website, http://www.magistyle.ge/magi_contruction.html, accessed October 28, 2011; Law on Broadcasting, Article 10 (2).

⁴¹ <http://declaration.ge>, accessed October 27, 2011.

⁴² **Update:** After the presentation of this report, the GNCC stated that “(...) the company Magi Style Media does not carry out activities in the field regulated by the Commission. The company produces and places advertising. In accordance with the Georgian legislation the production and placement of advertising is not regulated by the Georgian National Communications Commission. The Commission regulates electronic communications and broadcasting spheres. Accordingly, it is improper to claim that Irakli Chikovani has direct or indirect economic interest in the field regulated by the Commission. Besides, the issue i.e. conflict of interests was explored before appointment of Irakli Chikovani.” http://gncc.ge/index.php?lang_id=ENG&sec_id=110&info_id=9888, accessed December 19, 2011.

Ownership structure and relations between selected players in the Georgian advertising sector:



Source: National Agency of Public Register, TI Georgia research

General Media – a monopolist advertising sales house

An advertising sales house serves as an intermediary between advertising agencies and media planners on the one side, and a media outlet on the other side. Until the end of 2010, two media sales houses dominated the Georgian television advertising market: Touch Media sold advertisement slots for Imedi TV and was part of the Georgian Media Production Group, Imedi's holding company. The holding is run by Giorgi Arveladze, who before served as Minister of Economic Development and President Mikhail Saakashvili's chief of staff;⁴³ its owners are hiding behind the RAAK Georgia Holding S.A., registered in Panama through local front men.⁴⁴ The second major advertising sales house was Media House, owned by Irakli Chikovani, the Chairman of the Georgian National Communications Commission, which sold advertisements for Rustavi 2, Mze and 1 Stereo.

In early 2011, a new company emerged: General Media. Although Touch Media and Media House both still exist as legal entities, General Media was the result of a de-facto merger of the two leading media houses' activities. Although General Media does not have a website, its online domain, generalmedia.ge, was registered by an employee of Touch Media, using a company email address.⁴⁵

Representatives of Imedi and Rustavi 2 told TI Georgia that competition between the two channels had led to unsustainably low ad-prices, so the two channels decided to stop competing against each other and decided to work with the same advertising sales house – General Media.

In conversations with TI Georgia, several individuals familiar with the market alleged that Dimitri Chikovani was also connected to General media, even though Chikovani's alleged involvement in General Media is not traceable through public records. Several interview partners accused General Media of bullying and abusing its dominant market position by discriminating against independent advertising agencies and by approaching advertisers directly with better prices than advertising agencies can offer. "We don't want to have any privileged partners and every agency gets the same conditions", says Zurab Gumbaridze, General Media's Executive Director. "We only work with advertising agencies, we do not deal directly with brands", Gumbaridze told TI Georgia. "One of the reasons why General Media was created is to increase prices and to grow the market."

Now, General Media has a de-facto monopoly and whoever wants to place a commercial on national TV has to work with this company. General Media has the exclusive rights to sell slots on Imedi and Rustavi 2, as well as on Sakartvelo, Mze, Real TV and I Stereo. Until a change in legislation banned the Georgian Public Broadcaster from airing commercials in April, General Media also sold advertising for the 1st Channel. In fact, because of its dominant position on the TV advertising market, General Media now controls about two-thirds of all advertising flows.

⁴³ IREX (2011): Media Sustainability Index 2011, p.151.

http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 20, 2011.

⁴⁴ Registro Público de Panamá, <https://www.registro-publico.gob.pa/scripts/nwwisapi.dll/conweb/MESAMENU?TODO=SHOW&ID=664103>, accessed on October 20, 2011.

⁴⁵ Domain Registry, <http://registration.ge>, accessed October 25, 2011.

TV market shares 2010/2011 and advertising sales houses

Year	2010	2011 (Jan-Sept)	
Channel \ Market share	Market share %	Market share %	Ad sales house/comments
Imedi	29.84%	31.56%	General Media
Rustavi2	29.18%	28.88%	General Media
Others	11.25%	10.14%	Other use of TV set (DVD, games etc)
GPB – 1 st Channel	5.53%	4.49%	General Media (until April 2011) – limits on ads
Other Foreign	4.39%	5.57%	Foreign
Sakartvelo	3.80%	4.27%	General Media
Other Russian	2.62%	1.94%	Foreign
Region TV	2.36%	2.57%	To be merged with GPB's - Kanal PIK
Evrika	2.08%	1.51%	License used by Patriarch's TV – no commercials
MZE	1.62%	1.34%	General Media
Kavkasia	1.61%	1.12%	Independent
Other Georgian	1.33%	1.67%	Independent (includes regional channels)
Ajara	1.10%	1.07%	Government TV – sells ads
Maestro	0.88%	1.28%	Independent
I Stereo	0.84%	0.81%	General Media
Music Box	0.77%	0.57%	Independent
GPB – 2 nd Channel	0.50%	0.90%	GPB – no ads
Real TV	0.30%	0.31%	General Media
Source: AGB Nielsen, TI Georgia research			

General Media works with TV stations that are widely regarded as government-leaning (or channels that do not air news), while other Tbilisi based and local stations in the regions are struggling to market their ads themselves. In order to de-monopolize the market, smaller TV stations as well as other media outlets should consider pooling their resources and reach, build a professional joint sales team and work together in order to be able to offer advertisers attractive packages.

Product placement, sponsorship and paid reporting

In its 2011 Media Sustainability Index, IREX concludes that “accepting gifts in exchange for favorable coverage is not seen as a major problem in Georgia, but corporate sponsorships billed as advertising are becoming a bigger issue and further compromise ethics.”⁴⁶

Indeed, a number of private broadcasters as well as the Georgian Public Broadcaster are trying to push sponsorship and product placement as sources of income. Paid articles that are not labeled as paid content are also a fairly common phenomenon in the Georgian print media. In practice, the lines

⁴⁶ IREX (2011): Media Sustainability Index 2011, p.148.

http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 20, 2011.

between editorial department and sales department start to blur once an outlet allows advertisers to place unmarked advertorials or stories.

Georgia has no rules on product placement. For the broadcasting sector, there are clear rules on sponsored programs, requiring that the sponsor is displayed at the beginning or end of a program.⁴⁷ Administrative authorities, political parties or political coalitions are banned from sponsoring programs – a rule that has not always been respected.⁴⁸ News (with the exception of sports coverage and weather broadcasts if these are shown as separate programs), consumer advice or election related programs must not be sponsored.⁴⁹ A sponsor must not gain any influence over the editorial content or scheduling of a show or segment he sponsors.⁵⁰ However, there have been no known cases of broadcasters being held accountable by the GNCC for violating these rules.

Representatives of Imedi and Rustavi 2 confirmed to TI Georgia that they extensively practice product placement and sponsorship in all programs other than news. In October 2010, Studio Monitor published a report detailing price lists for Imedi TV's morning show and a business magazine, listing various forms of editorial coverage and studio interviews for prices from USD 500 to USD 3,000.⁵¹ Irex also identified paid content placed in television news.⁵²

Self-regulation of broadcasters

In 2009, the Georgian National Communications Commission introduced a Code of Conduct for Broadcasters. An amendment to the Law on Broadcasting requires each license holder to establish an effective review mechanism for complaints. Thus, stakeholders and viewers can choose to file complaints about programming, reports or advertising directly to a broadcaster, rather than to the regulator. However, a complaint filed to the self-regulatory mechanism of a broadcaster cannot be appealed by the GNCC or a court (exceptions include libel and insult).

A round table discussion in mid-2011 hosted by IREX showed that these new self-regulatory mechanisms have not been extensively used by the Georgian public yet. TI Georgia was able to identify only a single complaint to a channel's self-regulatory mechanism that concerned advertising.

A Georgian citizen filed a complaint with Imedi TV, claiming that the station had broadcast an advertisement of a Georgian candy producer that encouraged minors to ask their parents to buy them chocolate. The viewer complained that the text of the advertisement violated Georgian law, which

⁴⁷ Georgian Law on Broadcasting, Article 68.

⁴⁸ Ibid., Article 67.

⁴⁹ Georgian Law on Broadcasting, Article 69.

⁵⁰ Georgian Law on Broadcasting, Article 69 (I).

⁵¹ Liberali/Studio Monitor (2010): Advertising beyond the Law, October 30, 2010. <http://www.liberali.ge/reklama-kanons-mighma>, accessed October 30, 2011.

⁵² IREX (2011): Media Sustainability Index 2011, p.148. http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 20, 2011.

forbids ads that exhort minors to ask their parents to buy a specific product. Imedi TV says it considered the complaint and asked the advertiser to change the contested ad.⁵³

Georgian Public Broadcaster

An amendment to the Law on Broadcasting passed by Parliament in April 2011 imposed a ban on the Georgian Public Broadcaster to air commercials. An exception was created for TV channels that are broadcast via satellite, applying mainly to the GPB's Russian language news channel, Kanal PIK. In addition, the GPB is still allowed to air commercials around international cultural and sports events.

"I lobbied for these new amendments myself", Levan Gakheladze, Chairman of the GPB's board, told TI Georgia.⁵⁴ The legislative change will result in lost income of about GEL 0.5 million per year but at the same time free the public broadcaster from the pressure of having to achieve high ratings and to compete with private channels for advertising, Gakheladze said. He suggests that the public broadcaster had not been very attractive for advertisers because of already existing restrictions. Before the most recent amendments were implemented, the GPB had already been banned from airing commercials in prime time and on weekends.

In 2010, the GPB's advertising revenue was GEL 3.52 million, mostly generated around the Football World Cup.⁵⁵ For 2011, Gakheladze expects advertising revenues of around GEL 1.5 million (total budget: about GEL 28 million),⁵⁶ with European Basketball Championship and the Rugby World Cup as key events attracting advertisers.

From January 2011, the GPB had used the services of General Media, the sales house set up by and serving primarily the public broadcasters direct competitors Rustavi 2 and Imedi, to sell its television advertising slots. The last contracts facilitated by General Media were fading out this fall, according to Gakheladze. The GPB continues to air free social advertisings and is obliged to air ads of political parties before elections.

The Chairman of the GPB's board is not concerned that the decrease of advertising revenues will negatively affect the sustainability or financial independence of the public broadcaster. "Consumers are paying for the GPB and they don't want to see many ads. This is my philosophy and many board members agree", Gakheladze said. Rather than by selling commercials, Gakheladze said that he hopes to attract companies as sponsors of low-budget productions that appeal to specific target audiences. Over

⁵³ Letter from Imedi TV to TI Georgia, received July 12, 2011.

⁵⁴ TI Georgia interview, September 2011.

⁵⁵ Georgian Public Broadcaster (2011): Annual Report 2010, p. 95. <http://gpb.ge/uploads/documents/40be0d5a-bb45-4191-a769-d597df68b58aAnnual%20Raport%202010%20GPB.pdf>, accessed on October 10, 2011.

⁵⁶ An additional GEL 25 million from the state budget were allocated for setting up and operating the Russian language satellite news channel Kanal PIK. <http://www.civil.ge/eng/article.php?id=23325>, accessed October 10, 2011.

time, the GPB might also be able to phase out sponsoring, as the GPB's government funding from the state budget will increase along with economic growth, Gakheladze said.⁵⁷

Radio

There are 29 broadcasting licenses and 7 special radio broadcasting licenses held by Georgian radio stations.⁵⁸ Net advertising expenditure on radio was GEL 3,868,013 (USD 2,205,095) in 2010. The Georgian Public Broadcaster does not have a dominant role with its two radio stations; the GPB's ad-revenues of GEL 23,343 in this sector were marginal.⁵⁹ Only few radio stations in Georgia have a content format that targets a specific audience.

Radio is a medium that is often under the radar of public attention but its role in Georgia as a channel for information, education, and conversation is little understood. Listeners can tune into a broad range of opinions and views. However, little in-depth data is available about the reach of individual stations. Since 2009, the private research company TNS Global has carried out annual omnibus surveys with a sample of 500 people to measure radio audiences. However, the survey's sample that is too small in order to provide valuable insights to most stations that do not have national coverage.

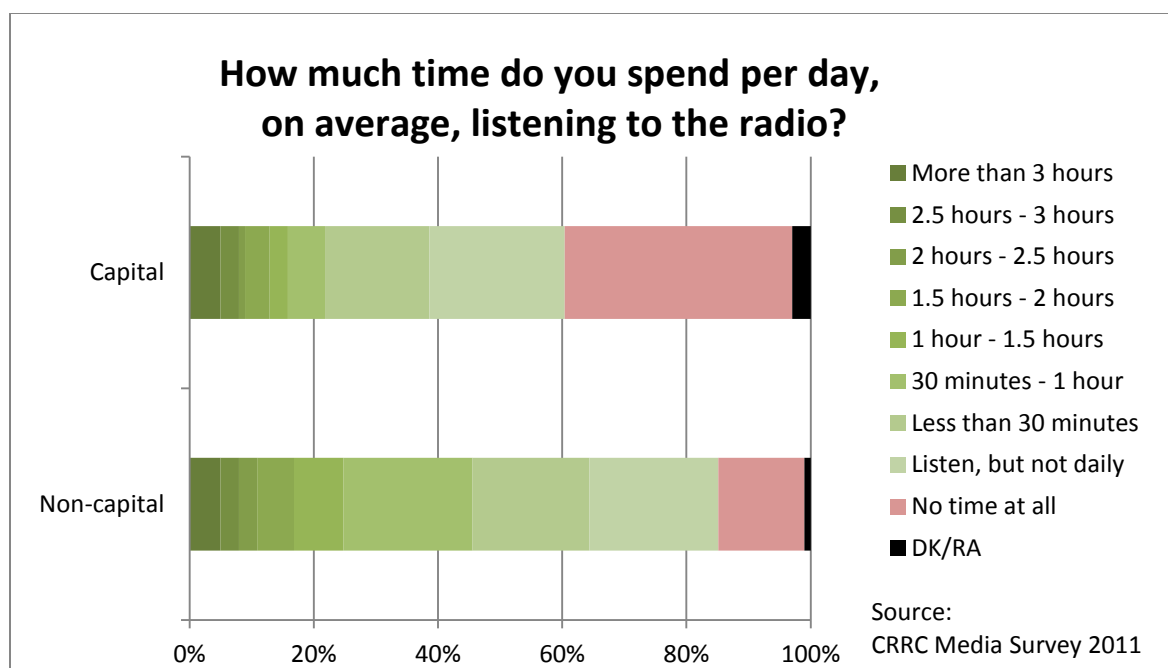
A recent CRRC survey indicates that people living outside the capital spend more time listening to the radio, with more than 60% of people saying that they turn on the radio every day. If more comprehensive audience data were available, radio stations would likely be able to attract more advertisement. Regular and comprehensive surveying would also increase the sector's competitiveness, as stations would start to position themselves more clearly and become more innovative in order to attract larger audiences.

⁵⁷ The funding allocated to the GPB from the national budget has to equal at least 0.12% of Georgia's GDP.

⁵⁸ IREX (2011): Media Sustainability Index 2011, p.144.

http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 20, 2011. A license was rewarded to the Hot Chocolate magazine in summer 2010.

⁵⁹ Georgian Public Broadcasters response to a freedom of information request by TI Georgia (#2905/02), received September 7, 2011.



Online advertising

23 percent of Georgians older than 18 years say they are online every day, another 9 percent say they use the internet at least once a week, according to a survey by CRRC from spring 2011. Especially for younger people living in Tbilisi, the internet is increasingly becoming a key source of information and communication.⁶⁰

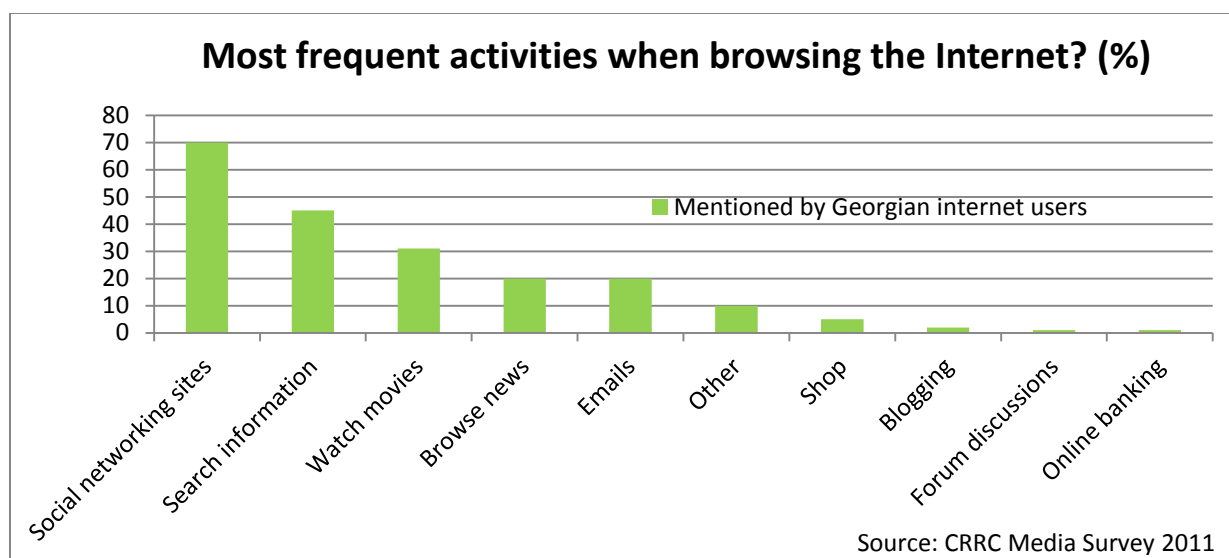
CRRC's media survey 2011 suggests that social networking sites are by far the most popular use of the Internet among Georgians.⁶¹ Facebook is the leading network and claims to reach about 686,000 registered users who live in Georgia.⁶² A number of Georgian government institutions, politicians as well as some small and medium size companies are advertising on Facebook. For example, the Georgian Parliament spent GEL 27,338 on Facebook ads in the first nine months of 2011.⁶³

⁶⁰ Caucasus Research Resource Centers. (2011): Media Survey 2011, retrieved through ODA. <http://www.crrc.ge/oda/> on October 29, 2011.

⁶¹ Ibid.

⁶² Facebook (2011). <https://www.facebook.com/ads>, accessed October 30, 2011.

⁶³ FOI response letter from the Georgian Parliament posted on opendata.ge. <http://www.opendata.ge/#lang/ka/cat/news/topic/329>, accessed October 28, 2011.



TI Georgia estimates that total net online advertising spending, is likely to have not exceeded USD one million in 2010 (including search engines). As in most countries, online advertising is seeing strong growth, also because internet penetration in Georgia has been soaring. However, even with the level of online advertising increasing sharply, this growth is unlikely to be sufficient to make several news websites sustainable, as a significant share of Georgian ad spending does not benefit the development of the local media landscape but flows to multinational companies, most importantly Google and Facebook. As Facebook ads targeting Georgians remain very cheap, news websites are struggling to generate significant advertising revenues and compete with the popular social media platform.⁶⁴

Yet, hardly any online outlets offer media data and price lists for advertising packages on their websites, and major independent news and entertainment websites have not pooled their traffic and resources in order to provide a more attractive environment to advertisers.

The widely believed narrative that Georgian internet users would not pay for content has yet to be challenged in practice. Asked by CRRC if they would be interested in subscribing to high-quality news for GEL 2 per month, 40% of Georgians who are regular internet users said yes.⁶⁵ There has been little experimenting with alternative sources of revenue, as donors continue to support several independent online news outlets. No major news websites have experimented with paywalls (access only to paying subscribers) or freemium (some content is freely accessible, some content only for payment) concepts, with the only successful exception of *interpressnews.ge*, the website of a popular news agency. No initiatives have been launched in Georgia to raise awareness among internet users that they should financially contribute and support online reporting they enjoy, as there is no sustainable business model for the online production of high-quality information and entertainment yet. Tools such as social micro payments, donations or voluntary subscriptions have not been adopted by media outlets so far.

⁶⁴ At the end of October 2011, the cost of 1,000 views (CPM) for a Facebook ad targeting Georgians was USD 0.02.

⁶⁵ Caucasus Research Resource Centers. (2011): Media Survey 2011, retrieved through ODA. <http://www.crrc.ge/oda/> on October 29, 2011.

Outdoor advertising

For a number of years, Alma+ was one of the major players of outdoor advertising in Tbilisi. Since 2009, Outdoor.ge has taken over a large part of the advertising sector in the country. Another rising player in this field is Vellagio, a company affiliated with the energy company Wissol, operating outdoor advertising sights at Wissol gas stations and at the Tbilisi and Batumi airports.⁶⁶

Outdoor.ge

In 2009, the City of Tbilisi auctioned off two permissions to manage outdoor advertising sights for a period of 12 years: The area on the right side of the Mtkvari River was given to Outdoor.ge, which according to Tbilisi City Hall has the permission to sub-license advertising space to other companies. Billboards on the left side of the river were rewarded to Magi Style Media, owned by Irakli Chikovani, the head of the Georgian National Communications Commission. In early 2011, Magi Style was replaced in this role by Smad Advertising LLC,⁶⁷ a company only created in late January 2011. Smad, which has neither a website nor is it listed in the phone-directory yell.ge, is owned by Smad Equities Corp,⁶⁸ a Panamese shell company.⁶⁹ The official representative of Smad Equities Corp in Georgia is Alexandre Gogokhia, who is a member of the Board of the Georgian Lottery Company and according to a 2008 media report, has served as Outdoor.ge's Chief Financial Officer.⁷⁰ 70% of the shares of the Georgian Lottery Company are managed by the government-owned Georgian Post, 30% by a Lxor Capital Corp, a shell company located in the British Virgin Islands, represented by Dimitri Chikovani. Chikovani is the brother-in-law of former Defense Minister Davit Kezerashvili and until September served as the CEO of Outdoor.ge.⁷¹

Officials from Tbilisi City Hall told TI Georgia that all permissions for outdoor advertisements in the capital that had been granted to companies in a non-competitive process expired at the end of 2010.⁷² As a result, the outdoor advertising market in the capital seems now to be dominated by outdoor.ge and Smad, a company with very close links to Outdoor.ge. Outdoor.ge also operates a joint venture with Tbilisi City Hall.

Newspaper kiosks – from the British Virgin Islands to the Georgian Post

Besides his role in Outdoor.ge, the Georgian Lottery Company and Ad Project, an off-shore company in the British Virgin Islands that holds shares in leading advertising agencies including Ad Windforce, Studia

⁶⁶ Smart.ge (2011). <http://smart.ge/index.php?eng&cat=35&id=32&type=1>, accessed October 31, 2011.

⁶⁷ Procurement Agency's (Tbilisi City Hall) response to a freedom of information request by TI Georgia (07/129614-8), received October 19, 2011.

⁶⁸ Georgian Public Registry, accessed October 24, 2011.

⁶⁹ Registro Público de Panamá, <https://www.registro-publico.gob.pa/scripts/nwwisapi.dll/conweb/MESAMENU?TODO=SHOW&ID=643043>, accessed October 28, 2011.

⁷⁰ Pirweli.com.ge (2008): Advertising company Outdoor.ge presents new services. http://pirweli.com.ge/index.php?option=com_content&task=view&id=15590&Itemid=99999999, accessed October 28, 2011.

⁷¹ Outdoor.ge rejected TI Georgia's request for an interview.

⁷² Tbilisi City Hall Procurement Agency response to a Freedom of Information request filed by TI Georgia (#07/1291614-8), received October 19, 2011.

Metro and Media Port, Dimitri Chikovani has also been involved in a network of kiosks that are selling newspapers and tickets for the Georgian Lottery Company.

In 2009, Tbilisi City Hall rewarded the newly created company, Wide Distribution, permissions to establish newspaper kiosks across the city – the kiosks' outside walls are used as advertising space. The process was non-competitive⁷³ and triggered concerns among publishers who feared a government take-over of the press distribution system.⁷⁴ According to a freedom of information request filed by GYLA to the Tbilisi City architectural department, Wide Distribution controlled 185 booths in the capital.⁷⁵

In September 2011, the newspaper kiosks saw several changes in ownership: Now called LLC Express, the kiosk operator was owned by JSC Adprojects Inc (70%, British Virgin Islands, represented by Dimitri Chikovani) and by three individuals holding each 10%, including Nodar Charkhalashvili who is, according to Studio Monitor, the husband of Sofo Britanchuk, a member of the Georgian National Communications Commission.⁷⁶ On September 12, JSC Adprojects took over all shares of the kiosks, and on September 28, 70% of the shares were given as a gift to the Ministry of Economy and Sustainable Development, which the next day awarded the management rights for the kiosks to the state-owned Georgian Post.⁷⁷ JSC Adprojects remains a 30% minority shareholder. (In a similar move, the Georgian Lottery Company, which had also been owned by another off-shore company in the British Virgin Islands, represented by Dimitri Chikovani, had seen the same nationalization of 70% of shares that are now managed by the Georgian Post.)⁷⁸

In addition to the advertising/newspaper kiosks now owned by the Government and Dimitri Chikovani, Outdoor.ge owns an additional 38 booths, according to GYLA. Studio Monitor has reported that also Magi Style operates a number of newspaper kiosks.⁷⁹

⁷³ Transparency International Georgia (2011): TI Georgia calls on Mayor's Office to act more transparently, 18 March, 2010. <http://www.transparency.ge/en/post/press-release/ti-georgia-urges-mayors-office-act-more-transparently>, accessed October 20, 2011.

⁷⁴ Eurasianet (2009): Georgia: Opposition Media, Government Battle over Tbilisi's Newsstands, March 11, 2009. <http://www.eurasianet.org/departments/news/articles/eav031209e.shtml>, accessed October 20, 2011.

⁷⁵ Nata Dzvelishvili (2011): Monopoly on Press Distribution, September 20, 2011. <http://www.media.ge/en/node/42572>, accessed October 15, 2011.

⁷⁶ Studio Monitori (2011): The Privileged Owners of Kiosks, September 29, 2011. http://monitori.ge/video_blank.php%3Fvid%3D270&usg=ALkJrhjTm42nS5HdUbnK76sEybtSR5cZeQ, accessed October 10, 2011.

⁷⁷ Georgian Public Registry, accessed October 5, 2011.

⁷⁸ Transparency International Georgia (2011): Lottery nationalized and put under management of Georgian Post. <http://transparency.ge/en/blog/lottery-nationalized-and-put-under-management-georgian-postp>, accessed October 18, 2011.

⁷⁹ Nata Dzvelishvili (2011): Monopoly on Press Distribution, September 20, 2011. <http://www.media.ge/en/node/42572>, accessed October 15, 2011.

Print advertising market

Little data is available on the Georgian print sector. There are neither audited numbers of printed, distributed and sold copies nor a comprehensive survey providing information about the readership of specific print publications. The lack of independently verified market data makes it difficult for print publications to attract advertisers, who have to rely on publishers' – at times exaggerated – claims about their newspaper or magazine's circulation.⁸⁰

According to official statistics, 199 different newspapers and magazines were published in Georgia in 2009. All newspapers combined reached a single issue circulation of 0.5 million and an accumulated annual circulation of 35.1 million copies; magazines and other periodicals had an accumulated annual circulation 23.2 million copies.⁸¹ IREX identified 73 newspapers and 87 magazines published in Georgia in early 2011.⁸²

Due to the lack of a functioning postal service and an efficient independent national distribution system, the reach of most print publications is limited to Tbilisi and a few other cities – papers published in the regions are usually only available in one or a few districts. Among newspapers, the independent weekly Kviris Palitra claims by far the highest circulation with about 65,000 printed copies. Most other weeklies published in Tbilisi do not print more than 10,000 copies;⁸³ the circulation of weekly papers published outside Tbilisi ranges from a few hundred to a few thousand copies. The largest political daily newspapers such as Rezonansi and 24 Saati have a circulation of around 5,000 copies.⁸⁴

A 2011 report by the World Association of Newspapers and Newspaper Publishers (WAN/IFRA) draws a very dire picture of the print advertising sector, estimating that only one out of every 100 Lari spent on advertising in Georgia is going to newspapers and that total print ad-spending is not higher than USD 500,000. "Advertisers are even more reluctant to buy advertising from independent newspapers than they are from official publications", the report says.⁸⁵

Government entities spend the largest part of their advertising budgets on television advertising, as the reach of newspapers and magazines remains relatively small. However, media market observers say that

⁸⁰ IREX (2011): Media Sustainability Index 2011, p.152.

http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 20, 2011.

⁸¹ GeoStat (2011): 2010 Statistical Yearbook of Georgia, p. 73.

http://geostat.ge/cms/site_images/files/yearbook/Statistical%20Yearbook_2010.pdf, accessed October 15, 2011.

⁸² IREX (2011): Media Sustainability Index 2011, p.144.

http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 20, 2011.

⁸³ ZenithOptimedia (2011): Central and Eastern Europe Market & MediaFact 2011, p. 145. Numbers are based on publishers' claims.

⁸⁴ IREX (2011): Media Sustainability Index 2011, p.144.

http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 20, 2011.

⁸⁵ World Association of Newspapers and Newspaper Publishers (2011): Financially Viable Media in Emerging and Developing Markets, p.60. <http://www.wan-ifra.org/articles/2011/06/07/financially-viable-media-in-emerging-and-developing-markets>, accessed on October 21, 2011.

print advertising nonetheless is heavily influenced by politics, naming the cases of Tabula and Liberali as an example.⁸⁶

News magazines: Tabula versus Liberali⁸⁷

Since its first publication in 2009, Tabula, which is ~~owned and~~⁸⁸ edited by Tamara Chergoleishvili, the wife of Giga Bokeria, the head of the National Security Council, has had an impressive number of full-page ads. At the same time, its independent direct competitor, the weekly Liberali magazine with a largely similar target audience as Tabula, has been struggling to attract any advertising clients. Liberali has not received ads from government agencies or state-owned enterprises. In Tabula, the government's Agency for Protected Areas has been a regular advertiser.⁸⁹ Other prominent regular advertisers that have close relations with the government include the Liberty Bank – the bank has the exclusive government contract to pay out pensions and social welfare and is co-owned by Lado Gurgenidze, a former Prime Minister – and the Georgian Lotteries, a government-granted monopoly license holder which has been managed by Dimitri Chikovani through a company in the British Virgin Islands (see chapters on General Media and Outdoor advertising). In August, Chikovani returned 70% of the management rights on the Georgian Lotteries to the Ministry of Economy, which transferred the assets to the state-owned Georgian Post. The now state-owned Lotteries continue to place ads in Tabula.

Struggling newspapers in the regions

Outside Tbilisi, several newspapers in the regions offer some of Georgia's best journalistic reporting, but are struggling to survive financially. "I am often told by potential advertisers that placing an ad in my newspaper would result in an appearance of the financial police in their company", Eliso Janashia, editor of the Poti-based newspaper Tavisufali Sitkva (Free Word) told TI Georgia. Janashia says that after she had problems with her distribution system and shopkeepers were no longer willing to sell her paper, she had to stop her print edition and switch to running a news blog.

In an assessment of their political and market environment, members of the Georgian Regional Media Association, an association representing 24 newspapers outside Tbilisi, said that the control of local self-government bodies over businesses and the channeling of the companies' advertising flows into media organizations selected by officials was one of the major obstacles independent outlets were facing. Representatives of local newspapers also highlighted that small businesses were reluctant to advertise,

⁸⁶ IREX (2010): Media Sustainability Index 2011, p.151, http://www.irex.org/sites/default/files/EE_MSI_2011_Georgia.pdf, accessed October 19, 2011.

⁸⁷ Update: After the presentation of this report, Tabula's editor, Tamara Chergoleishvili, stated that her magazine was treated unfairly by this analysis, as TI Georgia had not interviewed her or her staff for this report. "The research conducted by Transparency International fails to provide a full picture of the advertising market and is unfair to Tabula for a number of reasons", Chergoleishvili wrote on Tabula's website. She stated that the report failed to capture Tabula's success in attracting advertisements which, according to her, was as a result of her magazine's marketing strategy. A full response to this report was published on Tabula's website, <http://en.tabula.ge/print-6367.html>.

⁸⁸ Update: The original English version of this paper stated that Tamara Chergoleishvili is the owner of Tabula magazine. This is incorrect. Tabula is published by the Foundation For Civic Education. We apologize for this error.

⁸⁹ For example, the agency placed two full-page ads in Tabula Nr 71, September 26, 2011, pages 5 and 18.

suggesting that there was no “culture of advertising” in the regions and that companies were afraid of attracting the attention of tax collectors by spending money on printed ads.⁹⁰

Some of the papers in the regions have managed to become self-sufficient, at times by being involved in commercial activities beyond the newspaper. Guria News, one of the strongest local media outlets in the country, has managed to generate 40% of its revenues from advertising (of which 80% originates from classified ads and announcements and 20% from the ads of larger companies).⁹¹

Case study: Batumelebi

Batumelebi is an independent, award-winning weekly newspaper in Batumi and regarded as one of the best print publications in Georgia.⁹² However, the paper is struggling to attract advertising, which accounts for only 5% to 7% of its revenues, most of it coming from non-governmental organizations. The paper also receives some direct financial support from international donors.

Before the August 2008 war, 30% of the newspaper’s revenue came from advertising, says Eter Turadze, Batumelebi’s editor-in-chief. “On several occasions, businessmen have told me openly that if they placed advertisement in our newspaper, they would put their business at risk. They tell me that this pressure comes from the government”, Turadze says. “We recently had one case where an entrepreneur canceled an advertising contract with us, saying that he was called and given a strong note because he was paying to Batumelebi, referring to the ads. In my opinion, there will not be advertisement in free media until businesses are not free themselves. And at this stage, all the big businesses are in close contact with the government.”

However, pressure on companies is not the only reason why Batumelebi can attract little advertising. The paper’s reach is limited with about 3,500 copies printed, according to Turadze. She says that her paper would need more staff who could pitch advertising offers to businessmen and convince them that print advertising will increase their revenues.

In Adjara, local media outlets also face tough competition from Adjara TV, a state-funded channel that is broadcast terrestrially through large parts of Georgia. Adjara TV is a local government entity, funded with more than GEL 6 million per year from the local budget, which has been operating without an appropriate legal framework for years – Georgian broadcasting legislation only provides a legal basis for a public broadcaster (GPB), private channels and community stations, not for government-controlled stations.

Government-paid classified ads: a flawed tender

In July 2011, the Georgian Public Registry announced a tender to buy between 504 and 1,008 pages of classified real estate advertising in a national newspaper in the period from August 8 and December 31.

⁹⁰ Ia Mamaladze, Ia Sikharulidze, Giorgi Berdzenishvili, and Darejan Berdzenishvili (2010): Description and Study of the Needs of Member Newspapers of the Georgian Regional Media Association, pp. 29, 30.

⁹¹ Ibid., p. 6.

⁹² In 2009, the paper received the Press Freedom Award from Reporters Without Borders Austria and the Gerd Bucerius support price for free press in Eastern Europe, awarded by the German Zeit foundation.

The tender was part of a project encouraging citizens who would like to sell or rent out property to contact the Public Registry via phone or online with a classified advertisement. The Public Registry, an independent legal entity of public law, publishes the ad in the newspaper *24 Hours* within three days and also posts the announcement on the website <https://eproperty.reestri.gov.ge> for free. The ad is reprinted in the paper up to four times.⁹³

Although the tendering procedures seemed technically to be in line with the Georgian procurement law, the tender itself seemed tailored to the *24 Hours* newspaper. The paper is regarded as government-leaning and for several years has been the exclusive publisher of government tender announcements.⁹⁴ The tender for the publication of government-sponsored classified ads required applicant newspapers to be printed (partly) in color at least three times a week and be distributed in all regions of Georgia, and to also have an English language section (*24 Hours* publishes a weekly New York Times supplement).⁹⁵ The tender was first posted on the government's electronic procurement platform, procurement.gov.ge, on Friday, 29 July 2011 at 17:02. Bids were accepted from Saturday, 30 July, 0:09 until Monday, August 1, 12:00. Two competitors submitted bids, in the end the LLC Bonto lost to LLC MVP, the owner of *24 Hours*, which received the contract worth GEL 120,960.⁹⁶

The government involvement in classified advertisements might cause a significant distortion of the market, as *24 Hours* not only benefits from guaranteed advertising revenues but also from a promotion campaign implemented by the Public Registry in Tbilisi and the city of Gori.⁹⁷ In an environment like Georgia, where companies spend very little on print advertising, classified ads are a very important source of revenue for newspapers. With one market player offering free advertising space that is administered by a government agency, other newspapers and website are put in a very difficult position to compete for clients.⁹⁸

⁹³ National Agency of Public Registry (2011). <http://www.napr.gov.ge/index.php?m=8&newsid=589>, accessed October 18, 2011.

⁹⁴ IREX (2010) – Media Sustainability Index 2010, p.144, http://www.irex.org/system/files/EE_MSI_2010_Georgia.pdf, accessed on October 10, 2011.

⁹⁵ Tender documentation available at <http://tenders.procurement.gov.ge/public/?go=24510>, accessed October 18, 2011.

⁹⁶ State Procurement Agency (2011). <http://tenders.procurement.gov.ge/public/?go=24510>, accessed October 18, 2011.

⁹⁷ National Agency of Public Registry (2011). <http://www.napr.gov.ge/index.php?m=8&newsid=595>, accessed October 18, 2011.

⁹⁸ **Update:** After the publication of this report, Paata Veshapidze, the publisher of *24 Hours*, rejected the notion that his newspaper was government-leaning and emphasized that his newspaper did not have any control over the way the tender in question was procured, emphasizing that it was not his paper's fault that there was little competition for this contract. TI Georgia posted his full response online, http://transparency.ge/sites/default/files/post_attachments/Response%20-%2024%20Hours.pdf

Appendix 1: Legal framework for advertising in Georgia

The Constitution of Georgia guarantees freedom of speech, including the right to hold an opinion and to receive or disseminate information. This guarantee also covers commercial statements and thus advertising, unless the exercise of the right violates the rights and freedoms of other persons.⁹⁹

Since 1999, Georgia has been a member of the Council of Europe as well as member state of the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR), which also states that “Everyone has the right to freedom of expression.”

The European Court of Human Rights in a number of cases has decided that statements made in commercial context shall be also protected under article 10 ECHR.¹⁰⁰ The right to freedom of expression is not absolute and can be subject to restrictions, as defined in the European convention.¹⁰¹

Georgian Law on Advertising

Scope

The Georgian law on Advertising regulates issues related to the production, placement and distribution of advertising.¹⁰² The aim of the law on advertising is to promote competition on the advertising market, to protect the rights of respective stakeholders and to prevent improper advertising.¹⁰³ According to Article 3 (I), advertising is defined as:

“...information on goods, services and works (hereinafter – the product), natural and legal persons, ideas and undertakings disseminated through any means and in whatever form, which targets an unlimited circle of people and is designated to generate and perpetuate interest towards natural and legal persons, [a] product, [an] idea and [an] undertaking as well as to promote sales of the product, idea and undertaking.”

The Law on Advertising does not apply to political advertisement or statements made by individuals who are not directly referring to corporate activity.¹⁰⁴ Issues related to broadcast (radio and television) advertising and sponsorship are regulated by the Georgian Law on Broadcasting. General rules for advertising for products including alcoholic beverages, tobacco, sex-related, medical products and services, artificial baby-food, weapons, securities (stocks and bonds) and guidelines for the protection of minors from harmful influence are regulated by the Law on Advertising.¹⁰⁵

Definitions

The law on advertising contains a list of terms and definitions referring to different kind of advertisings such as improper advertising, counter advertising, advertising consumer, alcoholic beverages and tobacco product advertising.

⁹⁹ Constitution of Georgia, Article 19.

¹⁰⁰ These cases include: *Markt Intern Verlag GmbH and Klaus Beermann v. Germany* and *Murphy v. Ireland*.

¹⁰¹ European Convention for the Protection of Human Rights and Fundamental Freedoms, Article 10 (II).

¹⁰² Georgian Law on Advertising, Article 2 (I).

¹⁰³ Ibid., Article 2 (II).

¹⁰⁴ Ibid., Article 2 (IV, VI).

¹⁰⁵ Ibid., Article 2 (VIII).

General rules for advertisements

The law on advertising specifies several requirements which should be met when an advertisement is produced, placed or distributed. The ad should be clearly identified as advertising and it should be generally in the official state language (with the exception of advertising in foreign-language publications).¹⁰⁶

The law prohibits advertising for a product that is prohibited in Georgia or requires a special permission that is not held by the advertiser.¹⁰⁷ Advertising must not incite citizens to any illegal activity or encourage any dangerous actions.

The advertising materials should be kept by the responsible individuals for at least two month after the ad was placed.¹⁰⁸ In case of a dispute these materials should be kept until the dispute is solved.¹⁰⁹ Local self-governments are charged with controlling compliance with the Law on Advertising and are authorized to demand relevant documents from advertisers, advertising producers or distributors.¹¹⁰

Regulation of indoor and outdoor advertising

The law permits the interruption of movies in cinemas with advertising only during intervals of films. Advertising can be provided only with the prior consent of a subscriber of any telephone, computer or other paid/unpaid information service.¹¹¹

The law lays down the procedures and special requirements for placing outdoor advertisement in cities, villages or other administrative units. The respective local government should elaborate a plan for the distribution of outdoor advertising. This plan should include information regarding the size, shape or appropriateness of advertisements.¹¹² The local government body can issue a written permission for placing and distributing advertisements outdoor. A special permission is not necessary to place outdoor advertising on privately owned territory. Outdoor advertising should be clearly distinguished from road signs and must not jeopardize traffic, damage private property or historical and cultural monuments.¹¹³

Regulation of advertising for alcoholic beverages, tobacco, and medical products

It is illegal to advertise strong alcoholic beverages (more than 14% alcohol content) and tobacco products on radio or TV, in newspapers or on the covers of magazines.¹¹⁴ Alcohol or tobacco products must not target minors. In cases where advertising of alcoholic beverages and tobacco products is allowed, it should not create the impression that the use of these products is contributing to success.¹¹⁵ Tobacco and alcohol must not be advertised within 100 meters schools and other institutions for

¹⁰⁶ Ibid., Article 4.

¹⁰⁷ Ibid., Article 4 (VI).

¹⁰⁸ Advertiser, advertising producers and distributors.

¹⁰⁹ Ibid., Article 15.

¹¹⁰ Ibid., Article 16, 18 (I).

¹¹¹ Ibid., Article 5.

¹¹² Ibid., Article 6.

¹¹³ See Article 6 of the Georgian Law on Advertising.

¹¹⁴ Ibid., Article 8 (VII).

¹¹⁵ Ibid., Article 8 (I).

minors. Whenever tobacco products or alcohol ads showing open containers can be legally advertised, these ads need to contain a health risk warning.¹¹⁶

It is forbidden to place advertising of medical products, services or devices if the production of the relevant product requires special permission which is not held by the advertiser.¹¹⁷ It is illegal to advertise a drug in a way that persuades costumers that it can be taken without physician's consultation or it has no side effect. The Ministry of Labor, Health and Social Affairs is allowed to control if ads for pharmaceutical products comply with these rules. The content of an ad should be agreed with the ministry upfront and accompanied with a special warning referring to medications.¹¹⁸ A violator can be fined GEL 1,000.¹¹⁹

Comparative and counter advertising

Placing a comparative advertising is allowed in Georgia, but the advertising should be objectively comparing goods and/or services of a similar kind or purpose. Comparative advertising should not contribute to unfair advantage, confuse or discredit the goods, services or trade-marks of a competitor.¹²⁰

Local authorities can decide to partially or fully suspend improper advertising or order the display of counter advertising.¹²¹ A violator should immediately stop improper advertising and carry out counter advertising within ten days. If the violator does not follow the order of a local government, the latter may appeal to the court. The content of the counter advertising should be agreed with the local government and the counter advertising should be distributed with the same means and in the same place and sequence as the original, contested advertising.

Protection of Minors

The law on advertising protects the interests of minors and forbids advertising that might lead minors to believe that a specific product will make them superior to other children, or contain phrases like "just" or "only" that might suggest that any family could afford the product. Advertising shall not encourage minors to ask their parents to buy a specific product or to show minors in dangerous places.¹²²

Government oversight

Local self governments are charged with enforcing compliance with advertising rules in the mass media, with the exception of broadcast advertising, which is under the competence of the Georgian National Communications Commission.¹²³ Local governments are allowed to take decisions on the suspension of improper advertising and to order counter-advertising. In case of violations of the law, local governments may impose an administrative sanction or even file a criminal case.¹²⁴ The Criminal Code of Georgia makes reference to advertisement fraud, the advertising of pornographic or other illegal materials and the involvement of the minors in such illegal activities.¹²⁵

¹¹⁶ This Chapter includes some regulations from the Georgian Law on Medications and Pharmaceutical Activities.

¹¹⁷ Georgian Law on Advertising, Article 9 (I).

¹¹⁸ Georgian Law on Medications and Pharmaceutical Activities, Article 113 (III, VIII).

¹¹⁹ Ibid., Article 37⁶.

¹²⁰ Georgian Law on Advertising, Article 121.

¹²¹ Ibid., Article 19 (I).

¹²² Ibid., Article 14.

¹²³ Ibid., Article 17, 171.

¹²⁴ Ibid., Article 17.

¹²⁵ Criminal Code of Georgia, Articles 201, 255, 2551.

Responsibility of the advertiser, producer and distributor

The law distinguishes between advertiser, producer and distributor of an ad when there is a violation of the law.¹²⁶ The advertiser is liable for the content submitted for the production of the ad unless it is proven that the producer or the distributor is responsible for the breach of the law. In terms of the design or production of an advertisement, its producer can be held responsible; the distributor of an ad is liable for a violation of rules that concern timing, location or media.

Georgian Law on Broadcasting

The Georgian Law on Broadcasting regulates broadcast advertising. The law defines three types of advertising: commercial, social and pre-election advertising. Self-promotion by a broadcaster is not considered an advertisement. In addition to the classical TV or radio commercial, the broadcasting law also regulates sponsorship and teleshopping.

Definitions

According to Article 2 (j) of the Law on Broadcasting, commercial advertising is defined as:

“an advertisement that promotes an entrepreneur or enterprise, goods, rights, obligations, service or work, a person, idea or initiative or aids the trade of goods, rights, obligations, service or work, the implementation of an idea or initiative in exchange for remuneration or any other economic profit.”

Article 2 (o) of the Law on Broadcasting defines electoral advertisement as

“an advertisement, that supports [the] election of the President of Georgia, the Parliament of Georgia and local self-governmental representative authorities.”

The definition of social advertisement is defined in Article 2 (pp) as:

“an advertisement that promotes [a] public good and charitable aim, that is neither commercial or election advertisement nor advertisement of a legal entity of public law, or a governmental organization, as well as advertisement of the services provided by them.”

The law includes the definitions of sponsorship and teleshopping in paragraphs rr) and ss) of Article 2:

“Sponsorship – direct or indirect financing or co-financing of [a] program by a person, in order to promote his name, trademark, image, production or activity.”

“Teleshopping – a program that contains a direct offer of goods, rights, obligations, service or work in return for payment.”

General regulations¹²⁷

The law on Broadcasting dedicates the special chapter VIII to the issue of advertising, sponsorship and teleshopping: Advertisement and teleshopping should be clearly separated from other programs. It is forbidden to broadcast untrue, deceitful or anonymous advertising.¹²⁸ Only the advertiser can be the responsible for the content of social and electoral advertising.¹²⁹ There is a special requirement for journalists working on news, current affairs and election debate programs to in no way take part in advertising and teleshopping.¹³⁰

¹²⁶ Georgian Law on Advertising, Article 20.

¹²⁷ This Chapter includes provisions from the Georgian Law on Freedom of Speech and Expression.

¹²⁸ Georgian Law on Broadcasting, Article 63 (II, IV).

¹²⁹ Ibid., Article 63 (III).

¹³⁰ Ibid., Article 63 (V).

The law on Broadcasting requires the high level protection of children's interest. Teleshopping should not target minors, ads targeting children or in which children are performing must avoid the damage of the children's interest.¹³¹ Ads should not infringe the basic human rights and dignity.¹³² The Law on Freedom of Speech and Expression allows for a restriction of speech if it is related to advertising, sponsorship or teleshopping.¹³³

Commercial advertising and teleshopping¹³⁴

The Georgian Public Broadcaster (GPB) is not allowed to air commercial advertisement or teleshopping.¹³⁵ However, the law includes some exceptions: Commercial ads and teleshopping are allowed if the radio or TV program is transmitted via satellite or internet (which is the case for Kanal PIK).¹³⁶ The public broadcaster can also show commercials and teleshopping in the breaks of sport events and around international festivals and competitions (for example, the Eurovision Song Contest).¹³⁷ The Georgian Public Broadcaster must not show more than 30 minutes of advertising per day, with a maximum of six minutes in one hour. Teleshopping is limited to a maximum of 15 minutes per day, also with a maximum of six minutes in one hour.¹³⁸

Private and community channels are allowed to run commercial advertisements and teleshopping between programs, and they are also allowed to split programs with commercials and teleshopping.¹³⁹ With the exception of special advertising and teleshopping channels, advertisement and teleshopping must not exceed 20% of the entire broadcasting time per day. The duration of the uninterrupted teleshopping should not be longer than 15 minutes, three hours per day is the maximum period of time that can be devoted to teleshopping.¹⁴⁰

The law on Broadcasting contains a number of events and programs that must not be interrupted with advertising or teleshopping.¹⁴¹ It is illegal to interrupt the speech of the Georgian President, parliamentary sessions and religious ceremonies. News, current affairs, religious, election debate programs and documentary films with a length of less than 15 minutes shall not be interrupted. News, current affairs and political debate programs that are longer may not be interrupted more than every 15 minutes and for no longer than five minutes.¹⁴²

A program with duration more than 30 minutes may be interrupted with advertisement and teleshopping no more than three times.¹⁴³ The intervals between breaks should not be less than 15

¹³¹ Ibid., Article 63 (IV, VII).

¹³² Georgian Law on Advertising, Article 56 (IV).

¹³³ Georgian Law on Freedom of Speech and Expression, Article 9, Paragraph 1, sub-paragraph g).

¹³⁴ This chapter includes some provisions from the Code of Conduct for Broadcasters, the Georgian Law on Health Protection.

¹³⁵ Georgian Law on Broadcasting, Article 63 (VIII).

¹³⁶ Ibid., Article 63 (IX).

¹³⁷ Ibid., Article 64 (I).

¹³⁸ Ibid., Article 64 (II).

¹³⁹ Ibid., Article 64 (III).

¹⁴⁰ Ibid., Article 64 (XI).

¹⁴¹ Ibid., Article 64 (IV).

¹⁴² Ibid., Article 64 (XII).

¹⁴³ Ibid., Article 64 (V).

minutes except if there are natural intervals.¹⁴⁴ It is prohibited to interrupt educational programs, shows for children, religious broadcasts, features, films or series more than every 30 minutes (except when the duration of these programs is more than 30 minutes).¹⁴⁵

In order to assist parents in protecting minors, broadcasters should at the beginning of a program and after each commercial break display for 60 seconds indicating for what age a program is suitable (the symbol is a circled 7, 12, 15, or 18).¹⁴⁶

Social advertising

Broadcasters are obliged to provide at least 90 seconds of airtime for free-of-charge social advertising every three hours. The public broadcaster and community broadcasters have to allocate free of charge at least 60 seconds per hour for social advertising, and during election campaigns in their service area provide the public with the information about politicians, political groups, procedural rules for election and addresses of polling stations.¹⁴⁷

Electoral advertising¹⁴⁸

During an election campaign held within its service area, a broadcasting license holder has to broadcast free of charge electoral advertising of maximum 90 seconds per three hours; For the GPB and community broadcasters, electoral advertising must not exceed 60 seconds per hour.¹⁴⁹ The duration of the paid electoral ads must not exceed 15 % of a station's daily broadcasting time. None of the candidates or parties running for election shall use more than one third of the allocated time. When a political ad is shown on television, the labels "paid political advertising" or "free political advertising" have to be displayed in a corner of the screen.¹⁵⁰ On election day, neither free nor paid election advertising is allowed.¹⁵¹ Broadcasters have to publish information concerning conditions, technical standards, rules of scheduling political advertisements and other relevant information on political advertisements on their website.¹⁵²

Newspapers funded by central or local government budgets are not allowed to allocate more than one third of the newspaper space in one publication or over a period of one week to only one candidate, party or coalition. Advertising rates must be the same for all electoral subjects, and published advertisements should be labeled as "paid political advertising" or "free political advertising".

In case some political candidates/parties are not using their available share of free advertising space, the Georgian Public Broadcaster, a broadcasting license holder or a (government funded) newspaper are allowed to distribute this time or space equally among other electoral subjects.

Newspapers that are not funded by the government are allowed to independently to set the prices for the advertisements on any terms.¹⁵³ The Georgian Central Election Commission, either itself or through

¹⁴⁴ Sport or feature programs, for example.

¹⁴⁵ Ibid., Article 64 (VIII, X).

¹⁴⁶ Code of Conduct for Broadcasters, Article 38 (XII).

¹⁴⁷ Georgian Law on Broadcasting, Article 65.

¹⁴⁸ This chapter includes provisions from the Election Code of Georgia, Code of Conduct for Broadcasters.

¹⁴⁹ Georgian Law on Broadcasting, Article 66.

¹⁵⁰ Election Code of Georgia (as of October 30, 2011), Article 73, paragraph 14, sub-paragraphs b) c).

¹⁵¹ Ibid., Article 73 (III).

¹⁵² Code of Conduct for Broadcasters, Article 23 (VI).

¹⁵³ Election Code of Georgia, Article 73 (16).

a contractor, has to monitor the equal distribution of election airtime to election candidates and other obligations of media specified in the Election Code of Georgia.¹⁵⁴ Broadcast media can be fined GEL 1,500 and print media GEL 500 for a violation of the rules on electoral advertising and transmission of electoral information.¹⁵⁵

Sponsorship

If a program or show is sponsored, name of the sponsors should be displayed at the beginning or at the end of the program.¹⁵⁶ Administrative authorities, political parties or political coalitions are banned from sponsoring programs.¹⁵⁷ News (with the exception of sports coverage and weather broadcasts if these are shown as separate programs), consumer advice or election related programs must not be sponsored; gambling companies must not sponsor programs targeting minors.¹⁵⁸ A sponsor must not gain any influence over the editorial content or scheduling of a show or segment he sponsors.¹⁵⁹

Accountability and Sanctions

The GNCC is the only authority, with the exception of law enforcement and tax collectors, which is entitled to monitor compliance of the public broadcaster and private broadcasters with Georgian legislation.¹⁶⁰ According to Article 171 of the Law on Advertising, the GNCC is authorized to monitor the timing, placement or means as well as other issues related to broadcast advertisement.¹⁶¹

Broadcasters are liable if programs including advertising and teleshopping violate current legislation or their license conditions.¹⁶² Only advertisers can be held responsible for the content of social and electoral advertising.¹⁶³

The GNCC shall collect information about the financing sources of broadcasters as well as separate information about their income received from advertising, sponsorship and teleshopping (from January 2012).¹⁶⁴ The GNCC has a right to warn or fine a broadcaster for a violation of rules.¹⁶⁵ After issuing a notification, the Commission can impose financial sanctions on the broadcasters.¹⁶⁶ If a broadcaster violates the law in a permanent basis or ignores imposed sanctions, the GNCC can launch public administrative proceedings to suspend its license.¹⁶⁷

¹⁵⁴ Ibid., Article 74 (XI).

¹⁵⁵ Ibid., Article 126₂₂.

¹⁵⁶ Georgian Law on Broadcasting, Article 68.

¹⁵⁷ Ibid., Article 67.

¹⁵⁸ Code of Conduct for Broadcasters, Article 61 (III).

¹⁵⁹ Georgian Law on Broadcasting, Article 69 (I).

¹⁶⁰ Georgian Law on Broadcasting, Article 70.

¹⁶¹ Similar regulations referring to advertising control contains article 5, paragraph 3, sub-paragraph h) of the Georgian Law on Broadcasting.

¹⁶² Georgian Law on Broadcasting, Article 70 (1).

¹⁶³ Ibid., Article 63 (III).

¹⁶⁴ Ibid., Article 70 (IV).

¹⁶⁵ Ibid., Article 71.

¹⁶⁶ Minimum GEL 2,500 to maximum GEL 5,000.

¹⁶⁷ Georgian Law on Broadcasting, Article 72 (II).

Appendix 2: Advertising related cases considered by the Georgian National Communications Commission (GNCC)

Warning against Rustavi 2 for too many ads

N 495/22 - July 15, 2005

The GNCC's broadcasting monitoring unit found that Rustavi2 had shown too much advertising. (Violating paragraph 5 of Article 5 of the Law on Advertising, which since has been deleted - 9.06.2006 N3245). Advertisement should not exceed 12 minutes per hour; Rustavi 2 however had broadcast advertisements for about 20 minutes per hour and received a warning from the GNCC.¹⁶⁸

Erotic call center ad

N 775/22 - December 16, 2005

In 2005, several local unions applied to the consumer rights public defender, based in the GNCC, with the request *inter alia* to stop placing so-called running banners on TV Tbilisi, advertising the service of an erotic call center. Article 8₁ of the Law on Advertising bans the advertisement of sex related products on newspapers and broadcast media. The plaintiffs claimed that TV Tbilisi ran the banners during all television programs, including shows for children and asked the GNCC to fine the station revoke its broadcasting license. The consumer rights defender partially supported the plaintiffs. According to the Commission, the broadcasting license of TV Tbilisi had already been suspended and therefore the station had been on air illegally and was thus not allowed to run advertisements at all. However, the Commission found that the banner promoting a call center cannot be considered an ad for a sex-related product.¹⁶⁹

Complaint over comparative call center ad

N 283 / 22 – July 3, 2009

In 2009, the company InfoGeorgia XXI, operating the 09 information hotline in Tbilisi, filed a complaint to the GNCC against Chveni Radio, Radio Comersant and the information hotline 08. The plaintiff claimed that an ad broadcast by the two radio stations had harmed its reputation, arguing that the ad had used illegitimate comparative advertising. The complaint demanded to stop the broadcast of the contested ad, to impose appropriate sanctions and to oblige the respondent to place a counter advertising. The Commission concluded that the advertisement had not violated existing legislation.¹⁷⁰

Warning against Mobitel for improper advertising

N 354/18 – July 30, 2010

In 2010, the cell phone provider Magticom filed a complaint to the Commission against Mobitel for broadcasting improper TV advertising. Mobitel had advertised its new rates, which according to Magticom were incorrect. The commission considered the claimant and found that the contested

¹⁶⁸ Georgian National Communications Commission (2005).

http://gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=3167, accessed October 5, 2011.

¹⁶⁹ Georgian National Communications Commission (2005).

http://gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=3637, accessed October 5, 2011.

¹⁷⁰ Georgian National Communications Commission (2009).

http://gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=7225, accessed October 5, 2011.

advertisement was indeed improper advertising, issued a warning against Mobitel and ordered to either stop broadcasting the ad or correct the rates advertised in it and issued a warning.¹⁷¹

Warning against Magticom for improper advertising

N 413/18 – September 3, 2010

Vice versa to the previous case, Mobitel filed a complaint to the commission against Magticom for using misleading advertising on TV and on its website, promoting new rates that were incorrect, Mobitel alleged. Also in this case, the GNCC found that the contested ad was indeed improper advertising, ordered Magticom to stop using it and issued a warning.¹⁷²

Geocell fined Gel 30,000

N 451/18 – September 24, 2010

Mobitel also filed a complaint against the mobile phone provider Geocell for placing misleading ads on TV and on its website, with rates that were incorrect, Mobitel claimed. The Commission considered the complaint and held that the contested advertisement was false. Geocell had already been warned by the commission for broadcasting improper advertising (decision **N414/18** – this case could not be found on the GNCC website), the Commission decided to fine Geocell GEL 30,000 and ordered the company to either stop broadcasting the ad or broadcast a corrected advertisement.¹⁷³

Small print

N 599 / 18 – December 28, 2010

Magticom filed a complaint against Silknet, accusing the internet provider of having used such a small print in a TV ad that its rates and conditions were not legible for the audience. The GNCC found that Silknet had not had the intention to mislead the consumers. Silknet decided to modify its TV ad in order to make it easier for viewers to read the disputed text. Current legislation does not regulate the size and duration when displaying key terms and conditions of a service or contract.¹⁷⁴

Terms and conditions have to be easily understood

The GNCC considered a complaint filed by Silknet against Magticom for misleading advertising of mobile phone rates. The GNCC ordered Magticom to produce all its TV ads in a form so that they can be “easily perceived by a major part of society (consumers)”. The Commission stated that when listening to an ad, the consumer shall have a clear perception of the advertised product’s proposed terms and conditions.¹⁷⁵

Illegal advertising by cable providers

The Georgian Association of Regional Broadcaster, representing local TV stations, filed a complaint against several regional cable providers, claiming that the cable providers were placing unauthorized advertisements during the re-transmission of TV programs. The GNCC carried out its own investigation

¹⁷¹ Georgian National Communications Commission (2010).
http://gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=8355, accessed October 5, 2011.

¹⁷² Georgian National Communications Commission (2010).
http://gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=8430, accessed October 5, 2011.

¹⁷³ Georgian National Communications Commission (2010).
http://gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=8488, accessed October 7, 2011.

¹⁷⁴ Georgian National Communications Commission (2010).
http://gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=8702, accessed October 16, 2011.

¹⁷⁵ Georgian National Communications Commission (2010).
http://www.gncc.ge/index.php?lang_id=ENG&sec_id=110&info_id=9070, accessed October 20, 2011.

and found that Satelitservice, the authorized cable provider located in Kutaisi, was violating Georgian legislation and had carried out unauthorized broadcasting, as only broadcasters are entitled to place advertising in TV programs. The company was fined GEL 5,000 received a warning to stop the illegal retransmission of programs.¹⁷⁶

Social or political advertising?

The opposition party Free Democrats filed a complaint with the GNCC about a social TV ad informing people about the increase of pensions, starring President Mikheil Saakashvili and the Minister responsible for health and social services. The Free Democrats claimed that the ad was part of pre-election campaign and did not fulfill the requirements for social advertising. Before the GNCC considered the case, a representative of the GNCC told Radio Liberty that he did not see any violation of the legislation.¹⁷⁷ A few days later, the GNCC concluded that Georgian broadcasters had not violated the law by placing the advertisement. However, the Commission refrained from making a decision on the nature of the ad.¹⁷⁸

¹⁷⁶ Georgian National Communications Commission (2011).

http://gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=9279, accessed October 20, 2011.

¹⁷⁷ Radio Liberty (2011): Social Advertising or pre-Campaign? (Georgian), October 4, 2011.

<http://www.radiotavisupleba.ge/content/article/24348386.html>, accessed October 20, 2011.

¹⁷⁸ Georgian National Communications Commission (2011).

http://gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=9616, accessed December 7, 2011.