

Pre-Election Financial Media Environment



Authors:

Mariam Pataridze

Editor:

Tamar Kintsurashvili

Design:

Mariam Tsutskiridze

Media Development Foundation (MDF)

www.mdfgeorgia.ge

www.mediameter.ge

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Introduction

The intent behind the present study is to explore the financial revenues of media organizations as well as to probe the practice of allocating public funds for advertisement and dissemination of information in media outlets.

The report is based on desk research of official information received from public institutions upon request, on accessible electronic data available at the web-portal of Georgian National Communications Commission (GNCC) and State Procurement Agency's database, as well as media reports.

The first part of the report reviews the financial transparency problems in broadcasting media; the second part is about the distribution of budgetary funds to the televisions with the aim of disseminating advertisement and information; the third part reflects the budgetary contracts with the media that disseminate hate speech, anti-Western sentiments and Russian propaganda; and the fourth part concerns the distribution of budgetary funds in regional televisions.

Key Findings

Study revealed following trends:

- The information about the revenues of broadcasting media and financial sustainability of the media environment is not fully available to public prior to the 2017 local elections, due to a breach of the legal requirements of financial transparency. The Georgian National Communications Commission (GNCC) violates the Law of Georgia on Broadcasting by not releasing the data as laid out by the Law.
- TV Imedi won consolidated tender with the highest value (2 millions) announced by Georgian Government for dissemination of information and TV advertisement in 2017. This decision is being appealed in the court by another nationwide channel – Rustavi 2.
- The value of contracts formed with Rustavi 2, which has a critical editorial policy towards the Government, for the placement of budgetary advertisement have decreased four times in 2017, as compared to 2015, and almost three times, as compared to 2016. An inverse trend can be observed in the case of TV Imedi: value of the budgetary contracts signed with Imedi have almost tripled in 2017, as compared to 2016.
- In line with the 2014-2016 practice, the budget organizations continued to sign contracts with the aim of disseminating advertisement and information with those media outlets that incite hate speech and promote anti-Western sentiments. In 2017, budgetary contracts were signed with openly pro-Russian editions, as well.

A screenshot of a web form. On the left, a vertical dropdown menu shows years from 2013 to 2017, with 2017 selected and marked with a checkmark. To the right of this menu, the text '4Q, 2016 year' is displayed. Below the year menu is another dropdown menu showing '1 Quarter'. At the bottom of the form are two buttons: a blue 'Submit' button and a grey 'Cancel' button.

According to Article 70/5 of the Law of Georgia on Broadcasting, the submission of incorrect or incomplete information by a broadcaster to the Commission shall be considered as failure to submit information. The Commission has made no explanation so far on the results of inquiry related to the broadcasters' failure to submit financial reports.

The Media Development Foundation uses the databases posted on the Commission's analytical website when developing annual reports on financial transparency of media since 2015. Some cases were revealed in the process of monitoring, when separate broadcasters submitted their reports to the Commission with delay. In such cases, the information about all other broadcasters was released within the timeframes defined by law. Thus, taking this practice into consideration, the fact that all broadcasters filled in their data incorrectly raises some questions about what has caused similar inaccuracies. It should also be noted that since 2013 all broadcasters are obliged to submit financial reports.

The Media Development Foundation (MDF) requested public information from the Georgian National Communications Commission on the reasons of violating the law on September 19, 2017. According to the response from the Commission, inaccuracies have been revealed in the statistical reporting forms of two TVs – Imedi and Rustavi 2, hence the break in publishing and distribution of data before the end of the respective inquiry.¹

It should also be noted that Rustavi 2 only received the letter about the verification of data on October 3, 2017²; according to the information published on the webpage of the Commission, however, the inquiry had already been begun by March 29, 2017. Moreover, Rustavi 2 had no information before October 3, 2017 about the fact that the inquiry on the payment forms had already been underway, whereas the financial data to be verified by the Commission concerns only the second quarter of 2017³.

Due to violation of the requirements of financial transparency set by the legislation, the information on the broadcasting media revenues and the sustainability of the media financial environment is not available to public prior to the 2017 local elections, except the budgetary funds allocated to media by state agencies, which is available on the electronic database of the State Procurement Agency.

¹ Letter from GNCC to MDF, N05/3281, 02.10.2017

² Letter from GNCC to MDF, N05/3260-17, 29.09.2017

³ Letter from Rustavi 2 to GNCC, N0941-17, 04.10.2017

2. Practice of Distributing Budgetary Funds among Televisions with the Aim of Advertisement and Information Dissemination

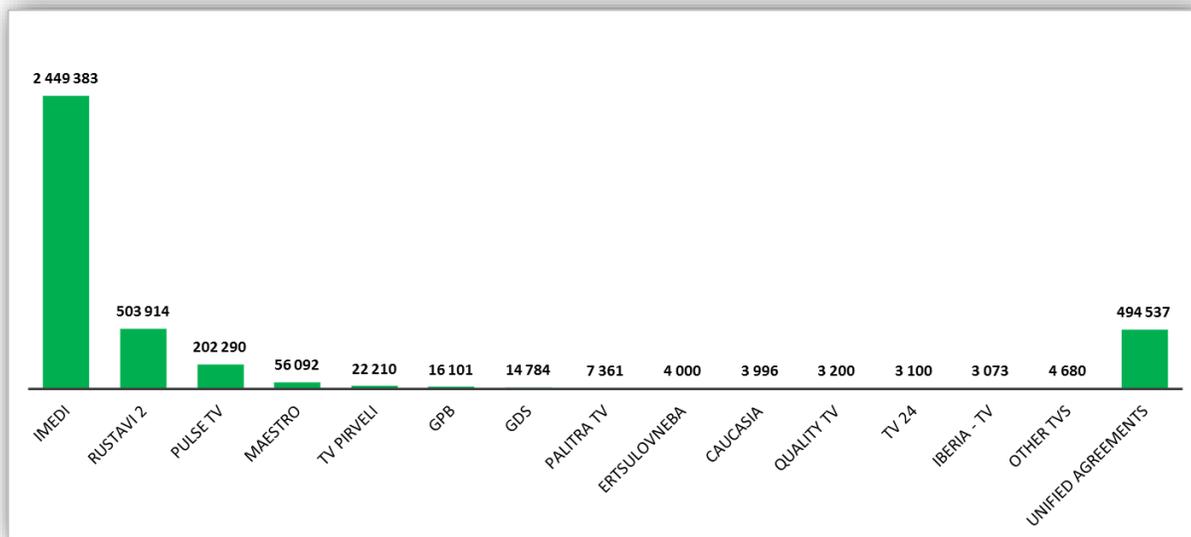
Summarizing paragraph: TV Imedi won consolidated tender with the highest value (2 millions) announced by Georgian Government for dissemination of information and TV advertisement in 2017. This decision is being appealed in the court by another nationwide channel – Rustavi 2. The value of contracts formed with Rustavi 2, which has a critical editorial policy towards the Government, for the placement of budgetary advertisement have decreased four times in 2017, as compared to 2015, and almost three times, as compared to 2016. An inverse trend can be observed in the case of TV Imedi: value of the budgetary contracts signed with Imedi have almost tripled in 2017, as compared to 2016.

Broadcasters. In 2017 (as of October 13), budgetary organizations signed agreements worth GEL 4,654,136.5 with televisions. The major part of the sum – GEL 3,788,721 - falls on nationwide and mixed coverage televisions, with the rest – GEL 864,416.5 - being allocated to the regional broadcasters.

Nationwide and mixed coverage televisions. The contract with the highest value among all televisions – GEL 2,449,383⁴ - was signed with Imedi, followed by Rustavi 2 (GEL 503,914). Then come Pulse TV (202,290), Maestro (GEL 56,092), TV Pirveli (22,210), Georgian Public Broadcasting (GEL 16,101), GDS (GEL 14,784), Palitra TV (GEL 7,361), Ertulovneba (GEL 4,000), Caucasia (GEL 3,996), Quality Channel (GEL 3,200), TV 24 (GEL 3,100), Iberia TV (GEL 3,073), Obiektivi (GEL 1,855), Artarea TV2.0 (GEL 1,980), Starvision (GEL 845).

Certain budgetary contracts did not allow us to identify, to which media outlet were the funds being allocated, so we aggregated this sum in “Unified Agreements” (with the total contract value of GEL 494,537); out of this sum, 69% - GEL 341,376 (agreement signed between the Ministry of Justice of Georgia and Bravo Media LTD) was allocated to TV Imedi, Rustavi 2 and Maestro, 19% (GEL 91,736) was allocated to Imedi and Rustavi 2, whereas in 12% of the cases (GEL 61,425) the agreement did not indicate which television was carrying out the service.

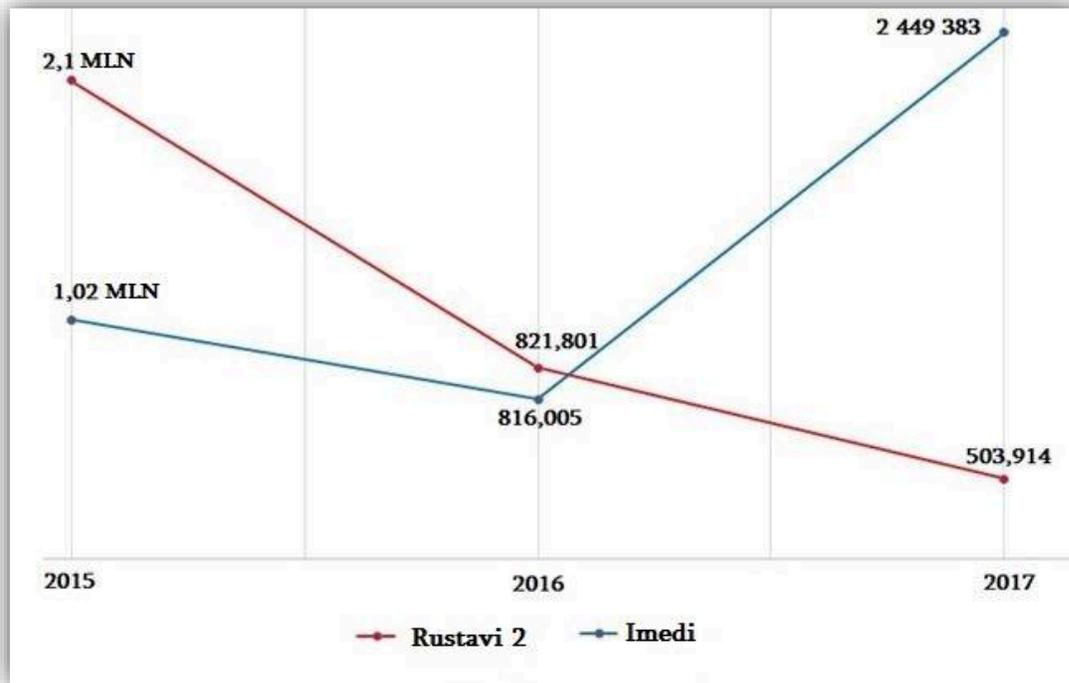
Diagram 1. Distribution of budgetary advertisements among national and mixed coverage televisions



⁴ The given sum includes the two-million contract signed with TV Imedi in the framework of the consolidated tender. Imedi has already exploited service worth GEL 282,618.06 from the given funds.

As the diagram 2 shows, the value of TV Imedi's budgetary contracts doubled in 2017, as compared to 2015 and nearly tripled, as compared to 2016. The case of Rustavi 2 is inverse: the value of contracts signed for the placement of budgetary advertisements decreased four times in 2017, as compared to 2015 and nearly three times, as compared to 2016.

Diagram 2. Trends of increase and decline in allocation of budgetary funds for Imedi TV and Rustavi 2.



According to TVMR-Georgia, Nielsen Television Audience Measurement's official licensee, Rustavi 2 held the first place in the TV ratings in 2015⁵ and 2016⁶, while Imedi was on the second place. According to the same rating-measuring company, TV Imedi is on the first place with the weekly share of audience (SHR%) among the Georgian TVs in between July 1, 2017 and October 1, 2017, closely followed by Rustavi 2⁷. Both nationwide coverage channels lead in TV ratings over the last years. If in 2015, the distribution of the budgetary advertisement matched the ratings, as shown in the diagram 2, in 2016-2017, Rustavi 2, which has a critical editorial policy towards the Government, experienced an evident trend of decrease in the placement of the budgetary advertisement.

As of October 17, 2017, the Ministry of Education and Science and the Central Election Commission of Georgia signed a contract worth GEL 282,618.06 in the framework of a 2-million tender.

The disputed consolidated 2-million tender on the purchase of TV airtime. On August 7, 2017, Rustavi 2 addressed the Tbilisi City Court with a lawsuit against the Government of Georgia and the State Procurement Agency. The consolidated 2-million tender announced by the Government of Georgia for dissemination of advertisement and information on July 19, 2017, in which TV Imedi took part and won, became the reason for the lawsuit. As Rustavi 2 claims, they took part in a preliminary meeting organized by the State Procurement Agency, where the

⁵ <http://www.tvmr.ge/en#!en/news/44/>

⁶ <http://www.tvmr.ge/en#!en/news/52/2016>

⁷ http://www.tvmr.ge/en#!en/tam_results/1:326:-/25%7C09%7C2017

consolidated tender was discussed, however, despite the promise, they did not receive the information about the announcement of the tender on July 19 via e-mail, but only on July 24 – about the second, one-million tender, designated for relatively lower rated companies (AMR no more than 4% for the period of January 1- June 30, 2017). Whereas only those TV companies were allowed to participate in the first tender that had at least 4% of rating (AMR) for the period of January 1- June 30, 2017. There are only two such TV companies according to the current rating data (Imedi, Rustavi 2).

According to the documentation available on the State Procurement Service website, the Resolution⁸ of the Government of Georgia from July 12, 2017 was the basis of the given consolidated tender. According to the Resolution, the consolidated tender aimed to increase the efficacy of the expenditure of budgetary funds, whereas the procurement had to be carried out based on the analysis of state procurements and market research.

A one-million consolidated tender for 11 televisions. The second consolidated tender, in which only the TV companies with less than 4% rating (AMR) were allowed to participate, had 11 winners: Media Union Obiektivi, Palitra TV, TV Pirveli, Starvision, GDS TV, Studio Maestro, TV channels of Rustavi 2 company – Marao and Comedy Channel, Caucasia, Georgian Public Broadcasting and TV Iberia.

According to the Article 3.9 of the tender documentation, “in case of having more than one winner, the tender commission does not bear responsibility of distributing the total orientation value (GEL 1 million) by any pre-determined principle among the winning contenders. This will be carried out based on the needs and purposes of the buyer, as well as based on the advisability of the aim defined by its campaign.” Therefore, the distribution of GEL 1 million among 11 media outlets is actually depends on the agreement signed between the individual public institution (buyer) and particular media outlets, as laid out in the tender documentation (Article 3.12).

As of October 17, 2017, two institutions – Ministry of Education and Science and Central Election Commission – signed an agreement worth GEL 49,136 with nine media outlets in the framework of the GEL 1 million consolidated tender.

⁸ Resolution №1427 of the Government of Georgia from July 12, 2017, “On Implementing the State Procurement of Television Airtime (wGRP) in 2017-2018 via Consolidated Tenders.”

Table 1. Distribution of service contracts among broadcasters in the framework of GEL 1 million Consolidated Tender.

Media Outlet	Consumer	Cost of the Agreement Signed
Georgian Public Broadcasting	Central Election Commission (CEC), Ministry of Education and Science	16 101
GDS	CEC	8 930
TV Pirveli	CEC	8 050
Caucasia	CEC	3 996
Maestro	CEC, Ministry of Education and Science	3 726
Iberia-TV	CEC	3 073
Palitra TV	CEC	2 561
Obiektivi	CEC	1 855
Starvision	CEC	845

3. Budget contracts with the media outlets promoting hate speech, anti-Western sentiments and Russian propaganda

Summarizing paragraph: In line with the 2014-2016 practice, the budget organizations continued to sign contracts with the aim of disseminating advertisement and information with those media outlets that incite hate speech and promote anti-Western sentiments. In 2017, budgetary contracts were signed with openly pro-Russian editions, as well.

In line with the practice of the previous years⁹, the budget organizations continued to sign contracts with the aim of disseminating advertisement and information with those media outlets that incite hate speech and promote anti-Western sentiments. Moreover, the list of winners in the Government's consolidated tender includes TV Obiektivi, associated with the Alliance of Patriots. Central Election Commission has also signed a contract with Quality Channel which has a pro-Russian editorial policy. The Ministry of Corrections, just like in 2016, signed the contract on information dissemination with an openly pro-Russian edition Tbilisi 24 affiliated with the Centrists Party, which expressed an initiative to legalize Russian military bases in Georgia.

Photo 1. September 17 and October 17 Publications of Tbilisi 24



Apart from Ambassador Kelly, a new patron has been added to the governing echelon of the puppet Government of Georgia – Special Representative of the State Department of the United States in Ukraine Issues, Kurt Volker.

According to him, Georgia has a better progress as compared to Ukraine, however, “he does not think that anyone in NATO would say that they are ready to accept Georgia as a member.”

⁹ MDF (2015). Budgetary funds in the media outlets disseminating hate speech and anti-Western sentiments.

<http://mediameter.ge/ge/research/sabujeto-saxsrebi-sizulvilis-enisa-da-antidasavluri-gancqobebis-gamavrcelebel-mediashi>

MDF (2016). Practice of allocating budgetary resources in media with the aim of disseminating advertisement and information.

<http://mediameter.ge/ge/research/reklamis-da-inpormaciis-gavrcelebis-miznit-mediashi-sabujeto-resursebis-ganacilebis>

MDF (2017). Financial transparency of media 2016. <http://mediameter.ge/ge/research/mediis-pinansuri-gamchvirvaloba-2016>

რუსული პროპაგანდის ნიმუში - ვინც რუსეთთან ომისკენ გვიკიჟინებს, ის ქართველების მტერია

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დაიმახსოვრეთ, ქართველების დაუძინებელი მტერია ის, ვინც რუსეთთან ომისკენ გვიკიჟინებს!

ქართველების დაუძინებელი მტერია ის, ვინც რუსეთთან მეგობრობის, ურთიერთობის ნორმალიზების წინააღმდეგია!

კი მაგრამ, რუსეთი ხომ ოკუპანტია, ეს, როგორ შევარჩინოთ 1993 წელს, 2008 წელს დაღვრილი სისხლი?!

და, რომელი ქვეყანაა პატივცემულებო საქართველოს "ისტორიული მეგობარი"? რომელ მეზობელ სახელმწიფოს არ მართებს ჩვენი წინაპრების სისხლი? შევარჩინოთ - კრწანისი, ასპინძა...?

Example of Russian propaganda – those who call for a war with Russia are enemies of Georgians

Remember, the enemies of Georgians are those who call for a war with Russia! The archenemies of Georgians are those who are against friendship with Russia and normalization of relations with it!

Yes, but Russia is occupant, how can it possibly get away with the blood spilled in 1993 and 2008?! And which country, my dears, is a "historical friend" of Georgia? Which neighboring country does not have blood of our ancestors on its hands? Should they get away with Krtsanisi, Aspindza...?

Photo 2. The 2017 contract with Tbilisi 24 is signed by the Deputy Minister of Corrections, Teimuraz Mghebrishvili.



Following to MDF’s previous report on service contract signed between Tbilisi 24 online edition and the Ministry of Corrections, on April 16, 2017 the ministry released the special statement¹⁰ according to which agency is cooperating with various online media outlets based on legal rules in order to reach their beneficiaries and that it is beyond scope of their mandate to study orientation of media owners.

The table below includes those media outlets that especially stood out with hate speech and anti-Western editorial policy and received budgetary service contracts in 2017:

¹⁰ <http://www.moc.gov.ge/en/press-service/news/article/22473-the-ministry-of-corrections-pays-a-huge-attention-to-the-media-cooperation>

Table 2. Budgetary contracts signed in 2017 with the media outlets that incite hate speech, anti-Western sentiments and disseminate Russian propaganda.

Media Outlet	Service Contract Amount	Budgetary Organization
Newspress.ge, nsp	52 375	Ministry of Corrections of Georgia; Apparatus of the Minister of Autonomous Republic of Abkhazia in Confidence Building and Reconciliation; LEPL Financial-Analytical Service; National Agency of Non-Custodial Sentences and Corrections; Laboratory of the Ministry of Agriculture of Georgia; Service Agency of the Ministry of Economy of Georgia; LEPL National Center for Education Quality Enhancement; LTD Saqaeronavigacia; Administration of Didube, Tbilisi and other sub-agency or local government representatives.
Republic of Georgia (Newspaper)	38 521	Municipal Development Fund of Georgia; Ministry of Finances and Economy of the Autonomous Republic of Adjara; Roads Department of Georgia at the Ministry of Regional Development and Infrastructure; National Bank of Georgia; Science Academy of Agriculture of Georgia; Sub-agency Institution of the Government of Abkhazia – Administrative-Economic Directorate and other sub-agency or local government representatives.
Alia.ge	20 000 (Total cost of the contract together with other media outlets)	Ministry of Corrections
Tbilisi 24	3 387	Ministry of Corrections
LTD Quality Channel	3200	Central Election Commission of Georgia
Alia Newspaper	2 400	Central Election Commission of Georgia
Marshallpress Agency	1 900	Keda Municipality; Chkhorotsku Municipality
Obiektivi	1855 (Contract signed in the framework of the consolidated tender N-CON170000044)	Central Election Commission of Georgia

The report¹¹ of the fifth cycle of the European Commission against Racism and Intolerance (ECRI) includes the recommendation to the Government of Georgia to review the contracts with those media outlets that engage in hate speech:

“ECRI recommends that the authorities review their contracts with media outlets and cancel or not renew them in cases where media are known to engage in racist or homo-/transphobic hate speech. The authorities should also ensure that future contracts contain a clause stipulating that racist or homo-/transphobic hate speech will result in contract termination (33).”

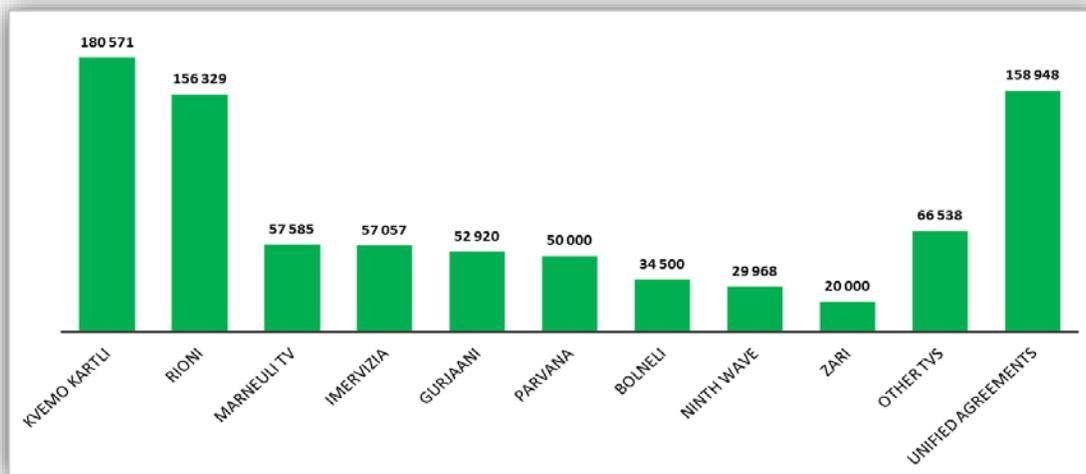
Detailed information on editorial policies of media outlets listed in table 2 is available in previous studies by MDF.

4. Regional Televisions

Summarizing paragraph: The major part of the agreements signed with the regional televisions falls upon local municipalities and their subordinate agencies. Like 2016, Kvemo Kartli television signed had the most expensive contract.

Out of all agreements signed with the regional televisions with the aim of disseminating advertisement and information, 71.5% falls on local municipalities and their subordinate agencies. Just like in 2016, Kvemo Kartli television received the biggest amount (GEL 180,571), followed by TV Rioni (Imereti) (GEL 156,329) and Marneuli TV (57,585). The situation with other regional televisions is as follows: Imervizia – GEL 57,057; Gurjaani – GEL 52,920; Parvana – GEL 50,000; Bolneli – GEL 35,500; Ninth Wave – GEL 29,968; Zari – GEL 20,000; other televisions (Odishi, Trialeti, Argo, Egrisi, TV 25, ATV 12, Kolheti 89, Mega TV, Kakheti) received a total of GEL 66,538 advertising service. In 2017, the number of unified agreements (several companies altogether) signed with the regional televisions rose significantly, while the value equaled GEL 158,948. Out of it, 40.8% (GEL 64,900) are the contracts signed by the budgetary organizations with the other channel of the LTD Regional Televisions. In 2016, providing service worth only GEL 40,630 was planned under the unified agreements.¹²

Diagram 3. Distribution of Budgetary Advertisement between Regional Televisions



¹¹ The report of the fifth cycle of the European Commission against Racism and Intolerance (ECRI). March 1. 2016. <http://www.coe.int/t/dghl/monitoring/ecri/Country-by-country/Georgia/GEO-CbC-V-2016-002-GEO.pdf>

¹² http://mdfgeorgia.ge/uploads/library/63/file/financial_transparency_of_media_2016_GEO.pdf