



საერთაშორისო გამჭვირვალობა - საქართველო  
TRANSPARENCY INTERNATIONAL GEORGIA

# WORK CARD

This is Transparency International Georgia's Summer Work Card on Georgia. It gives a summary assessment of the key areas in the country that are of crucial importance to the development of a transparent, accountable and democratic state. The Work Card will be published quarterly, covering different issues that are crucial for that specific period.

The assessments are followed by concrete recommendations for improvements. They are in no way meant to be exhaustive, but provide a brief overview of areas in need of further attention.

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## 1. The television landscape before the October 2012 elections

### Background Information

- **The Georgian television landscape is largely dominated by politics.** Both the government and the opposition seek to keep a number of TV stations, as well as key intermediary companies that broadcasters need to reach their audience, in their sphere of influence. According to the latest surveys conducted by CRRRC and NDI, most viewers perceive all TV channels as either pro-government or pro-opposition; not a single station that airs daily news coverage is seen as politically independent by a significant share of Georgian TV viewers.
- **Several companies with strategic positions in the television sector, including those who act as intermediaries between TV channels and their audience, have faced a broad range of difficulties in recent months:** The leading investigative TV reporting team, Studio Monitor, had its office robbed and most of its equipment stolen; Videoscope, a company providing video equipment and services, including to TV9 and the Georgian Dream, has been fined after a tax audit; Maestro TV and the service provider Global TV had tens of thousands of satellite dishes seized over vote-buying allegations; Global TV and TV9 have said that technical equipment they imported was damaged while waiting for customs clearance; Stereo+, a company providing transmission infrastructure and services to broadcasters including TV9, had a lien put on broadcasting licenses it holds.
- **The pro-government stations Imedi and Rustavi 2 remain by far the most popular TV channels,** including for news and current affairs coverage. Channel 1, Kavkasia and Maestro appear to have gained news audiences compared to 2011. Limited technical reach and access to audiences remains a major challenge for stations that do not hold a national terrestrial broadcasting license. The introduction of must-carry and must-offer regulation ahead of the elections has been an important positive step, allowing a larger share of the population to access TV stations with news coverage that is critical of the government. According to latest data released by the GNCC more than 190,000 cable TV customers were able to receive TV9; Maestro was accessible to 169,140 customers; Kavkasia TV was accessible to 160,758 customers, indicating that several cable providers had not included the station at this point. Additionally, 154,924 customers of cable TV packages were able to receive the Batumi-based Channel 25 (which has regional must-carry status).
- **Finances of TV stations have become more transparent.** In the first 4 months of 2012, reported revenues of Imedi and Rustavi decreased, compared to the same period of 2011. Smaller channels including Maestro, Kavkasia, and Channel 25 and received significantly higher advertising revenues than in same period of 2011, largely due to advertising spending by the Georgian Dream.
- **There are incidents of intimidation towards journalists.** Representatives of recently created "Media Group" have been observed following regional journalists from online news Info 9 and TV 9 with cameras and mics, making it difficult for these journalists to do their jobs and asking personal questions. Representatives of civil society and media organizations condemned the activity of the Media Group." The Inter-agency Task Force for Free and Fair Elections issued a statement as well saying that the activity of such groups jeopardizes the normal pre-election atmosphere.

### Recommendations

- The State Audit Office, the Prosecutor's Office and the judiciary should ensure that all investigations affecting media outlets, or companies that serve as intermediaries between media outlets and media consumers, are conducted in a fair and transparent manner. Any steps taken that affect media outlets or media consumers should be proportionate and taken with the necessary precaution in order to not affect the freedom of the media and citizens' right to receive information.

- TV stations and their executives, producers, reporters and media workers should aim to provide their audiences with fair, professional and non-partisan current affairs coverage ahead of the elections and to act in line with self-regulatory mechanisms such as the Ethics Charter and the Code of Conduct for Broadcasters.
- TV stations should consider publishing of their financial data – including contributions from their shareholders – online and, if financially feasible, have their finances reviewed by an independent auditor. Media outlets should use financial transparency as a tool to build trust with audiences and stakeholders.
- The Georgian Public Broadcaster should take steps to strengthen its profile to be perceived as a truly politically independent news organization that is serving the Georgian people rather than the government. To achieve this, the GPB should consider introducing an investigative reporting magazine and a show representing consumer interests vis-à-vis the private sector.
- The GNCC, stakeholders, and civil society organizations should closely monitor the implementation of must-carry and must-offer regulation in the pre-election period. During the time the rules are in effect, the impact of this regulation should be evaluated, and on this basis, a permanent introduction of must-carry and/or must-offer regulation should be given strong consideration by policy makers and the GNCC, allowing for a continuation of this regulation and after Election Day.

## **2. Abuse of Administrative Resources**

### Background Information:

- According to information provided by a number of employees of government bodies, public sector employees were tasked with making a list of supporters for the ruling party and were threatened with being fired if they refused to perform this job.
- During pre-election meetings often can be observed an aggressive attitude from the side of representatives of local authorities. For instance, there were several incidents in the villages of Shida Kartli when Georgian Dream held meetings with the local population and local authorities' representatives verbally and physically abused political leaders and journalists.
- Public spending in election years is more focused on short-term social programs as opposed to non-election years. Systemic flaws which encourage electorally motivated spending: A lack of detail in the 2012 state budget and a lack of transparency regarding how certain appropriations are spent, especially in the case of the reserve funds of the President and Government of Georgia. Starting in 2012, the Georgian Budgetary Code allows spending institutions a 100% intra-program line item retrenchment, replacing the previous 5% limit.
- Specific examples of electorally motivated spending, including: A summer jobs program for 25,000 students, which aims to place students with a range of pre-selected employers (in both private and public sector organizations) from July 20 to August 20, 2012 and to pay GEL 500 to each student from the state budget; an announced increase of more than 25% in pensions for the elderly starting in September, 2012; an increase in the coverage of government-run insurance programs by more than 100%; and an increase in financing for viticulture development by an unprecedented 309% after budgetary changes were implemented in May.

### Recommendations:

- Authorities should refrain from the use of administrative resources for electoral purposes;
- Investigate and take adequate measures towards every violation of legislation in force and commission of administrative or criminal offences including by government officials;
- Ensure the maintenance of a stable, transparent and competitive pre-election environment sustained by strict observance of human rights and fundamental freedoms including the freedom of assembly and freedom of expression.

- Ensure more transparency in terms of contingency funds;
- Refrain from using public money for programs that can be considered electorally motivated;
- Switch to detailed program budgeting instead of the current arrangement.

### 3. Healthcare Reform in Georgia

#### Background

- The government's strategy of privatizing the hospital sector resulted in the rapid construction of modern multi-profile hospitals throughout all of Georgia that are replacing old hospitals.
- Almost all the hospitals in Georgia are owned by private investors. Insurance companies own more than 40% of all hospitals in Georgia, while 30% of the hospitals are owned by individuals and 20% are owned by other types of enterprises. In many cases, it is not clear who the actual owner of a hospital is. This lack of transparency creates doubts about their experience and long-term plans with the hospitals they own.
- In the large majority of regions, the same company that builds and operates the new hospitals is also the exclusive provider of social insurance. The largest pharmaceutical companies are increasingly becoming active in the insurance market and hospital market. According to some sources, this leads to situations where the majority of the medicines prescribed in some hospitals are provided by the pharmaceutical company that owns the hospital.
- There are no guarantees for the availability of services for the medium and long term. According to the tender contracts, investors must maintain the hospitals' profile for seven years after the signing of the contract for the facility they acquired.
- There are insufficient legislative and institutional arrangements that guarantee the quality of services and patient rights.
- The voucher-based system of social insurance was abolished and different insurance companies were allowed to become monopolist providers in different parts of the country.
- The beneficiaries of the public insurance scheme are not informed adequately about their rights and there are no proper mechanisms for the protection of these rights. Meanwhile, some insurance companies are unlawfully restricting the rights of public insurance beneficiaries by limiting their choices.
- The Georgian pharmaceutical market is presently controlled by three large companies (Aversi, PSP, and GPC) that hold a dominant position in import/distribution, manufacturing, and retail sale of medicines.
- The situation in the market leads to high markups and growing expenditures on pharmaceuticals. The expenditures on medical goods in 2010, made up for 60% of the total health care expenditures per household. In 2007-2010 the expenditures on pharmaceuticals grew by an average of 23.7% a year.

#### Recommendations

- Guarantees for a long-term existence of hospitals and services should be created:
  - More regular assessments of hospitals examining the quality, sanitary standards, misdiagnosis and violation of patient rights should be evident in the absence of competition.
  - Hospitals should be run by independent management companies rather than insurers' subsidiaries.

- Competition in public insurance: The GoG should open up competition by switching from regional assignment to free circulation of its PIS and EPIS insurance vouchers.
- The government should introduce proper mechanisms and continuously monitor the services rendered by insurance companies to public insurance scheme beneficiaries.
  
- The government should introduce incentives to encourage the adoption and application of these guidelines. Continuous monitoring is essential in order for the legislation to have an effect.
- The Agency for State Regulation of Medical Activities should have adequate resources in place to examine the quality for representative samples of medicine.