

# FactCheck



## Davit akradze:

“Amendments to the law on advertising are not an immediate necessity.”

Tamar JIKIA  
FactCheck

On 30 December 2014, guests of the talk show, *Archevan*, the show's host asked Davit Bakradze, one of the leaders of the United National Movement, a question about the legislative amendments to the law on television advertisements. Mr Bakradze replied: “We are told that we have to adopt this law (on broadcasting) as soon as possible because the EU demands it so. It is a lie. The Association Agreement signed with the EU says that the law should be adopted after three years from the start of the period when the Agreement has been ratified.”

The European Union and Georgia signed the Association Agreement on 27 June 2014. Chapter XVIII of Title VI of the EU-Georgia Association Agreement envisages cooperation in the audio-visual and media fields. On that ground, Georgia made a commitment to harmonise its national legislation with the legislative acts of the EU; namely, according to Appendix 33 of the Association Agreement, Georgia is required to harmonise its legislation with Directive 2010/13/EU of the European Parliament and of the Council on Audio-visual Media Service which was adopted on 10 March 2010. Georgia has a three-year period after the Association Agreement is ratified to fulfil this obligation. The only exception concerns one specific regulation which should be implemented within a five-year period. According to Section 2 of Article 431 of the Association Agreement, this particular regulation enters into force following the ratification of or after depositing the approval instrument. It is true that the provisional use of some chapters of the Association Agreement started from 1 September 2014. That said, however, the norms envisaging cooperation in the audio-visual and media fields remain inactive. Additionally, as not all of the EU member states have finished the ratification process, the countdown for Georgia's commitment has not yet begun.

The Law of Georgia on Broadcasting defines the precise intervals when TV companies are allowed to air telemarketing and commercials. It is much stricter when it comes to the issue of airing commercials than the EU directive. The Law prohibits interrupting the broadcast of an



official state event, an official speech of a top government official, a religious ceremony or any socio-political, religious or pre-election debate as well as any programme whose duration is less than 15 minutes with any advertising or telemarketing. According to Section 2 of Article 20 of the aforementioned EU directive, the airing of commercials is prohibited only in the case of a broadcast of a religious ceremony. There are no further restrictions. According to the Law of Georgia on Broadcasting, a news programme may be interrupted with advertising or telemarketing for a maximum of once every 15 minutes whilst a feature film, TV film or film series may be interrupted every 30 minutes. The EU directive, however states that a 30-minute interval is required for a news programme instead of a 15-minute interval.

The most important restriction envisaged by the Law of Georgia on Broadcasting concerns the total duration of advertising time. According to the Law of Georgia on Broadcasting, commercials and telemarketing should not exceed a 20% threshold of a broadcasting hour, limiting them to 12 minutes accordingly. The same restriction is envisaged by Section 1 of Article 23 of the directive. However, the Law of Georgia on Broadcasting rejects Section 2 of Article 23 of the directive which says that the 12-minute restriction rule will not apply to announcements made by the broadcaster in connection with its own programmes and ancillary products directly derived from those programmes, sponsorship announcements and product placements. It must be noted that Georgia was given the previously mentioned five-year implementation time precisely for this regulation. In fact, the Law of Georgia on Broadcasting envisages harsher restrictions in contrast to the directive and says that TV companies have to put programme-related announcements in the 12-minute period. Of mention is the fact

that there was no need to accelerate the implementation of this norm in the directive as it was possible to reduce the time for commercials to 12 minutes in the given five-year period.

Additionally, a closer look should also be taken as concerns a restriction imposed upon those programmes which are fully or partially financed by a sponsor. Until 15 January 2016, information about sponsors must not exceed 5% of a broadcast hour; that is, three minutes. From 15 January 2016, this time will be further reduced to 90 seconds. Contrary to the Law of Georgia on Broadcasting, the directive does not envisage such a type of restriction at all.

On 5 February 2015, the first hearing of the Law of Georgia on Broadcasting took place at the Parliament of Georgia and produced lively debates. Members of the Parliamentary Minority assessed the initiative as an assault to independent media and accused the ruling party of curbing media freedom. The Parliamentary Minority assumes that the Law is against one specific TV channel, Rustavi 2, as its revenues from commercials well exceed the same advertising revenues of other TV companies. Therefore, Rustavi 2 will suffer the most if the Law of Georgia on Broadcasting is implemented. It must be noted that even members of the Majority, whilst talking about the Law, have also often mentioned Rustavi 2, thereby fuelling the beliefs of the Parliamentary Minority that the Law is of a politicised nature. Finally, after time-consuming deliberations, the Law of Georgia on Broadcasting was adopted at the first hearing – 63 votes were cast in favour and 30 votes were cast against. The Parliament of Georgia also did not take the resolution of the Council of Europe's Parliamentary Assembly into account which declared that the amendments to the Law of Georgia on Broadcasting were poised against the financial and editorial independence of private TV channels.

## CONCLUSION

Therefore, **FactCheck** concludes that Davit Bakradze's statement is **TRUE**.



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## Memorandum of Understanding in Support of Micro and Small Business



TBC Bank, Entrepreneurship Development Agency (Enterprise Georgia) and IFC, a member of the World Bank Group, on March 5<sup>th</sup> signed a Memorandum of Understanding in TBC Bank's Tbilisi headquarters.

Vakhtang Butskhrikidze, TBC Bank CEO, George Tsikolia, CEO of the Entrepreneurship Development Agency (Enterprise Georgia), and Thea Gigiberia, IFC's Georgia Country Representative, co-signed the agreement.

Trilateral cooperation will be a key part of the new SME support project of the government's Produce in Georgia program. The new project

aims to support of micro and small entrepreneurs. To encourage local production, individuals in remote and rural regions interested in starting a new business will receive financial and technical support from the Entrepreneurship Development Agency.

IFC will work with both partners to disseminate online resources available through the SME Toolkit, a free online business portal launched by TBC Bank and IFC in Georgia in 2013. This web platform is available in Georgian at [www.tbcbusiness.ge](http://www.tbcbusiness.ge).

The platform offers a special application to TBC Business Academy, which can help new entrepreneurs gain much needed knowledge on starting and running a business.

The application offers lectures and other materials on management, the fundamentals of finance, creating a business plan, and launching a business. In addition, TBC Business Academy applicants can check their knowledge via tests and receive certificates.

The SME Toolkit, an innovation of IFC developed in partnership with IBM, provides smaller businesses with tools and educational resources that will help them become more profitable and competitive. The SME Toolkit is part of IFC's effort to support the private sector in Europe and Central Asia. The work is funded by the Swiss State Secretariat for Economic Affairs.

## EU News

### GDP up by 0.3% in the euro area and by 0.4% in the EU28

Seasonally adjusted GDP rose by 0.3% in the euro area (EA18) and by 0.4% in the EU28 during the fourth quarter of 2014, compared with the previous quarter, according to a second estimate published by Eurostat, the statistical office of the European Union. In the third quarter of 2014, GDP grew by 0.2% in the euro area and by

0.3% in the EU28. Compared with the same quarter of the previous year, seasonally adjusted GDP rose by 0.9% in the euro area and by 1.3% in the EU28 in the fourth quarter of 2014, after +0.8% and +1.2% respectively in the previous quarter.

During the fourth quarter of 2014, GDP in the United States increased by 0.5% compared with the previous

quarter (after +1.2% in the third quarter of 2014). Compared with the same quarter of the previous year, GDP grew by 2.4% (after +2.7% in the previous quarter).

Over the whole year 2014, GDP rose by 0.9% in the euro area and by 1.3% in the EU28, compared to -0.5% and 0.0% in 2013. In the United States, GDP grew by 2.4% in 2014 and by 2.2% in 2013.

### GDP growth by Member State

Among Member States for which data are available for the fourth quarter of 2014,

Estonia and Sweden (both +1.1%), Hungary (+0.9%), Germany, Spain and Poland (all +0.7%) recorded the highest growth compared

with the previous quarter. Cyprus (-0.7%), Greece (-0.4%), Austria and Finland (both -0.2%) registered decreases.

## GDP components and contributions to growth

During the fourth quarter of 2014, household final consumption expenditure rose by 0.4% in the euro area and by 0.5% in the EU28 (after +0.5% in both zones in the previous quarter). Gross fixed capital formation increased by 0.4% in both the euro area and the EU28 (after 0.0% and +0.3%),

Exports rose by 0.8% in the euro area and by 1.3% in the EU28 (after +1.5% and +1.1%). Imports increased by 0.4% in the euro area and by 0.8% in the EU28 (after +1.7% and +1.6%).

Household final consumption expenditure had a positive contribution to GDP growth both in the euro area and the EU28 (+0.2 and +0.3 percentage points

respectively). Gross fixed capital formation also had a positive contribution to GDP growth in the euro area and the EU28 (+0.1 pp for both zones). The contribution of the external balance to GDP growth was positive for both zones, while the contribution of changes in inventories was negative (-0.2 pp in both the euro area and the EU28).

# IMF Says Georgia Will Face Inflation in Coming Months

The FINANCIAL

**I**nternational Monetary Fund mission led by Mr. Mark Griffiths have called Georgian government for preserving independence of the National Bank of Georgia. Statement was made in response to the recent currency crisis in Georgia and the attacks on NBG President Giorgi Kadagidze, with demands to sell more reserves and keep GEL rate unchanged.

Georgia's former Prime Minister Bidzina Ivanishvili, who still has a great influence on current government said the nation-wide monetary crisis was brought about by the mistakes and inactivity of Giorgi Kadagidze, Head of National Bank who was appointed by the National Movement party, political opposition of current ruling party.

On February 24, the Georgian Lari saw its biggest single-day fall since September 2004. The national currency lost 3% of its value in one day. The National Bank was forced to sell 40 million USD to stop the currency's devaluation against USD. The National Bank set a new rate on February 24 (2.29 GEL), while commercial banks offer 1 USD for 2.34-2.38 GEL. By selling part of its reserves NBG managed to stabilize GEL rate at 2.10. But Experts predict the currency will continue floating.

During the last 10 days the mission met with Prime Minister Irakli Garibashvili, Minister Giorgi Kvirikashvili, Finance Minister Nodar Khaduri, Governor Giorgi Kadagidze, other Georgian officials, representatives of the international community, civil society, and the private sector.

While making final statement on situation, Mr. Griffiths said Georgia's economy has been hit by a combination of severe external shocks: the Russia-Ukraine crisis, the deepening recession in Russia (both of which create ripple-effects through the region) and currency devaluations in trading partner countries. Because of these shocks, Georgia's exports are 30 percent lower than one year ago, and remittances from Georgian workers abroad are down 25 percent.

"The economy is slowing as a result. In January, output grew by only 0.5 percent compared to one year ago. While growth this year could reach 2 percent, this projection is subject to risks. The economies of many of Georgia's main trading partners are slowing by even more, and the depreciation of their exchange rates is hurting Georgia's competitiveness", Mr. Griffiths said.

"Lower exports, remittances, and tourism receipts have increased the current account deficit in 2014 to around 9.5 percent of GDP. Because foreign earnings are lower, the Lari has depreciated by more than 20 percent against the US dollar since January 2014. Although this depreciation is large, it is in line with the depreciation experienced by many other countries, given the strength of the US dollar. Indeed, most currencies in the region have depreciated by even more. That said, the Lari's depreciation against the US dollar will increase costs for those who have borrowed in foreign currency. This will slow down economic growth".

"Because of the depreciation, inflation will likely pick up somewhat in coming months, towards the National Bank of Georgia's (NBG) inflation target of 5 percent. But this increase in inflation will take place from a low starting point: inflation in February was only 1.3 percent, in part because of lower oil prices. Lower import prices should also contain inflation".

Mr. Griffiths said the government and the NBG need to work together now—in a way that respects each other's areas of responsibility and central bank independence—on a comprehensive action plan to address these new challenges. Because of its solid fundamentals, reform-minded authorities, and the Association Agreement with the EU, Georgia is well placed to overcome the current challenges.

"The government deserves credit for keeping the budget deficit to 3 percent of GDP in 2014, well below the program target. However, for 2015, lower growth means that tax revenues will be less than projected in the budget. The government will therefore need to take measures to keep the budget deficit under

control. The government has appropriately taken steps in this direction, including by limiting employee bonuses and by taking efforts to contain administrative spending. The government needs to build on these decisions and pass amendments to the budget that include specific tax increases and spending cuts to limit the increase in the budget deficit. However, spending on the social safety net should be maintained and targeting improved to protect the vulnerable and the poor".

"The mission fully supports the NBG's policy to refrain from intervening in the foreign exchange market and to allow the Lari to float. The main objective of the NBG is to ensure price stability; achieving this goal depends on having a floating exchange rate. In addition, the floating rate allows the exchange rate to absorb external shocks. Intervening to resist shocks that will likely be long-lasting would only waste Georgia's foreign currency reserves and slow the reduction of Georgia's trade deficit with the rest of the world".

"Independence of the NBG should be preserved and respected, so that it is free to pursue its main objective of price stability, and to make sure that the financial sector stays healthy, which will support long-term, stable economic growth".

"Finally, we look forward to plans to accelerate reforms to make Georgia a more attractive place for doing business and for investing, for creating jobs, and for boosting growth in the future. These should include easing recent restrictions on foreign businesses, seeking out new private investment, boosting saving through pension and capital market reforms, and raising educational standards.

The mission would like to thank the government and the NBG for productive discussions. We look forward for the government to prepare specific amendments to the budget that will limit the budget deficit, and for the authorities to continue adhering to their floating exchange rate policy. We hope that these steps will be taken quickly, so that the IMF mission can return soon to Georgia for the Second Review".

GRASS  
**FACTCHECK**

## Giorgi Kvirikashvili:

Minister of Economy and Sustainable Development of Georgia

"Visa regulations have significantly hindered the influx of both tourists and labourers from China."

Giorgi GATENASHVILI  
FactCheck

**O**n 15 January 2015, as a guest on Maestro TV, the Minister of Economy and Sustainable Development of Georgia, Giorgi Kvirikashvili, stated that the new visa regulations have significantly hindered the influx of both tourists and labourers from China.

Since September 2014, Georgia has introduced a new law entitled the Law on the Legal Status of Aliens and Stateless Persons. According to the Law, a C1-type visa will be issued for those persons who visit Georgia for tourism purposes and a C2-type visa will be issued for those individuals who plan to visit family members. One has to obtain a C3-type visa to come to Georgia for business meetings and other activities or to perform journalistic work. D1-type visas will be issued for those who visit Georgia to conduct labour activities and a D2-type visa is required to conduct entrepreneurial activity in the country.

Visitors were able to obtain all of these types of visas at the state border of Georgia and at Public Service Halls before 1 September 2014. However, after the new Law went into force visitors have to apply for their visas at Georgia's diplomatic representations and consulates abroad. As a result of legislative changes, the duration of stay for foreigners who have obtained



those aforementioned visas is a maximum of 90 days within a 180-day period. Visa free nationals are subject to the same duration of stay conditions. Visas are also divided into long-term visas and short-term visas, single entry visas and multiple entry visas. Multiple entry visas are issued for no more than five years but even in this case, the duration of the stay for a visitor is limited to a maximum of 90 days within a 180-day period. For instance, if a visitor is able to obtain a multiple entry D1-type visa, he or she has to leave Georgian territory after 90 days and come back after a further 90 days which is a significant problem for those labourers who work on a contractual basis.

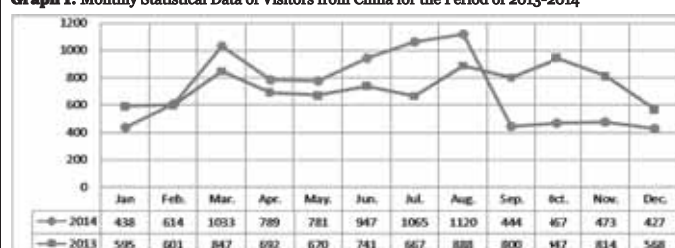
With respect to tourist visas, they are issued for 30 days. A C1-type visa for 90 days can be issued in the case of a person visiting the country for a second time. If we look at the particular issue of Chinese tourists travelling to Georgia on the Urumqi-Tbilisi flight, the fact that there is no Georgian consulate in Urumqi means that a visitor

must first go to Beijing, some 3,177 km away, and spend ten-to-30 days there while the visa is being processed and then issued before returning to Urumqi and flying to Tbilisi. Naturally, this creates a very complicated set of procedures for a tourist who typically has both limited time and resources.

According to statistical data of the National Tourism Agency of Georgia, a total of 8,830 visitors from China came to Georgia in 2013. The number dropped to 8,598 in 2014 which is a 3% decrease as compared to the previous year. It must be noted that the period of the very sharp reduction in the number of visitors coincides with the fourth quarter of the year; that is, when the new Law went into force (Graphs 1).

As illustrated by the graphs, Georgia received 48% less visitors from China in the fourth quarter of 2014 as compared to the third quarter of the same year immediately after the new regulations went into force. Comparing these data to those of 2014, this represents a 41% decrease.

Graph 1: Monthly Statistical Data of Visitors from China for the Period of 2013-2014



## CONCLUSION

The number of Chinese visitors coming to Georgia was stable throughout 2013. The number of visitors showed a steady increase upon a quarterly basis in 2014 as well. However, the number of visitors dropped by 48% in the fourth quarter of 2014 as compared to the third quarter of the same year and by 41% as compared to the same quarter of the previous year. The fall in numbers is attributed to the new visa and emigration regulations imposed by the Government of Georgia.

FactCheck concludes that Giorgi Kvirikashvili's statement: "Visa regulations have significantly hindered the influx of both tourists and labourers from China" is **TRUE**.

**TRUE**



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