

LAW OF GEORGIA ON THE PRIVATIZATION OF STATE-OWNED AGRICULTURAL LAND

Chapter One General Provisions

Article 1. Purpose of the Law

This Law aims at developing the Agricultural Land Reserves as a result of the privatization of state-owned agricultural land, rational land-using, and supporting the land market development.

Article 2. Sphere of the Law application

1. The Law shall govern the issues related to the privatization of state-owned agricultural land.
2. Pursuant to the Law, subject to privatization shall be the leased and non-leased state-owned agricultural land, other than the lands indicated in paragraph 3 of this article.
3. Pursuant to the Law, the following categories of state-owned land shall not be subject to privatization:
 - a) Pastures;
 - b) Cattle driveways;
 - c) The Water Reserve lands, other than artificial fishery ponds and the general water-use category land utilized for agricultural purposes in accordance with the Law of Georgia "On Water";
 - d) The Forest Reserve land utilized for agricultural purposes;
 - e) The recreational land;
 - f) The land under historic, cultural, natural and religious monuments;
 - g) The land of protected territories;
 - h) The agricultural land designated for the Reform Fund in the Ajarian Autonomous Republic;
 - i) The agricultural lands being under usufruct by the state-financed institutions and legal person of public law.

Article 3. Definition of terms used in the Law

The terms used in this Law have the meanings as follows:

- a) *Agricultural land* – the state-owned land being used for plant and animal production, with or without industrial and auxiliary buildings located thereon;
- b) *Privatization of the state-owned agricultural land* – the transfer at a charge of the state-owned agricultural land into private ownership of a Georgian citizen or a legal person of private law registered in Georgia;
- c) *Land plot* – a specific geographical unit assigning the right to own or use land that is circumscribed by a firm line;
- d) *Other real estate* – the existing on the agricultural land industrial and auxiliary building/buildings, perennial plants which are firmly attached to land;
- e) *Special auction* – the form of an auction whose participants offer a single auction bid, in writing. The right to participate in such an auction shall have the Georgian citizens residing within the limits of a specific village, settlement, community and town Sakrebulo/administration;
- f) *Open auction* – the form of an auction allowing for repeated auction bids. The right to participate in such an auction shall have the Georgian citizens and legal person of private law registered in Georgia;
- g) *Privatization program* – the privatization program worked out for the purpose of effective selection of the privatization land areas, their optimal parceling, and privatization, which represents a body of documents concerning privatization plots, cadastral planning, cadastral maps, and other reporting documents;
- h) *Privatization through direct sale* – the transfer by the state through direct sale of the right to a leased state-owned agricultural land plot to the land plot leaseholder;
- i) *Estate Book* – the register indicating the number of estates and their members within the territorial boundaries of the Sakrebulo of a village, community, settlement and evidencing the fact of residence of persons in a specific populated area and their estate membership.

Article 4. Declaring agricultural land plots property of the Georgian Apostolic Autocephalous Orthodox Church

1. Based on Article 11 of a Constitutional Agreement between the Georgian State and the Georgian Apostolic Autocephalous Orthodox Church:
 - a) The agricultural land plots being used by the Georgian State and the Georgian Apostolic Autocephalous Orthodox Church are declared the Church property;
 - b) The Church, in agreement with local government agencies, has the right to receive into ownership free of charge a plot of non-leased agricultural land.

Article 5. Agricultural land privatization forms

1. The privatization of agricultural land shall be effected through a special auction, open auction, and direct sale.
2. To the privatization through a special auction shall be subject a plot of the state-owned non-leased agricultural land.
3. To the privatization through an open auction shall be subject an unsold at a special auction and former leased plot of the state-owned agricultural land.
4. To the privatization through direct sale shall be subject a leased plot of the state-owned agricultural land.

Article 6. Agencies effecting privatization of agricultural land

1. The Ministry of Economic Development of Georgia shall be in charge of the privatization of leased agricultural land through direct sale as well by an open action of non-leased (unsold at a special auction) and former leased land.
2. The Sakrebulo/administration of a town, village, settlement or community shall be in charge of the privatization of non-leased agricultural land by a special auction.
3. The Georgian government shall make a special decision on the privatization of individual agricultural land parcels located within the 500-meter frontier area defined under the Law of Georgia "On the State Frontier of Georgia", with due regard for the state and public interests.

Article 7. Land plot purchase deed

When privatizing the state-owned agricultural land by a special auction, open auction, or the leased land through direct sale, the territorial agencies of the Ministry of Economic Development of Georgia shall work out a land and other real estate purchase deed, which represents the grounds for entering the property right in the Public Register.

Chapter Two Privatization of Leased Agricultural Land

Article 9. Direct-sale privatization conditions

1. The pre-condition of the privatization of a land plot through direct sale is a lease agreement made between the State and the lessee and entered in the Public Register in the established procedure.
2. For privatizing a land plot and other real estate through direct sale, the lessee shall, after the Law enters into force, apply in writing to a respective territorial agency of the Ministry of Economic Development of Georgia within not earlier than one month

before expiration of the lease agreement, or within 10 years from the agreement making date - in case a lease agreement was made for a term of 10 years or over.

3. Privatization of a land plot through direct sale shall be carried out based on the land plot's cadastral plan and documentation.
4. The lessee may not privatize a part of the leased land plot. If the lease land area comprises several spatially/geographically independent land plots, the lessee shall have the right to buyout the desired land plot/plots. In case a plot/plots of the lease land is privatized, the lease agreement on the remaining lease plot/plots shall be revoked, and the plot/plots shall be sold by an open auction.
5. If the lessee fails to apply to a respective agency concerning buyout of a plot of land, then upon expiry of the term determined in accordance with paragraph 2 of this article, the land plot/plots shall be sold by an open auction under chapter three of this Law.
6. In the existence of a judicial contest concerning the leased land plots, said plots should not be privatized until the judicial contest has been finally settled.
7. After this Law enters into force, the privatization agricultural land plots shall not be leased, save the cases when the leasing procedure was underway and failed to be completed before entry into force of this Law.

Article 10. Obligations of Ministry of Economic Development of Georgia and of its territorial agency in privatizing leased agricultural land plots

In privatizing the leased agricultural land plots, the Ministry of Economic Development of Georgia and its territorial agencies shall be obliged:

- a) To receive the lessee's application for the leased land privatization;
- b) Within one month after receipt of the application, to familiarize with the detailed information concerning the lessee and the lease land plot/plots. In case the documents are correct, as soon as the buyout amount payment receipt is produced, to issue a land and other real estate purchase deed for registering the title in the Public Register, or to issue the land and other real estate purchase deed and make a hypothecation agreement for recording the title and hypothecation in the Public Register, in case the amount is paid by installments.
- c) To ensure the making public of a decision of the respective territorial agency of the Ministry of Economic Development of Georgia, as well as the available information concerning the saleable and already sold land plots, the leaseholders and lease agreements;
- d) To provide leaseholders with the relevant information through mass media, by placement of the information on the web page of the Ministry of Economic Development, and informing them in writing.

Article 11. Selling price of leased agricultural land

Upon direct-sale privatization of the leased land, the purchase price shall equal the ten-fold amount of the basic average annual agricultural land charge determined under the Tax Code of Georgia at the time of applying for buyout. If a plot accommodates state-owned industrial and auxiliary buildings and/or perennial plants, the land price shall be increased by their cost fixed by the law.

Article 12. Leased agricultural land value payment procedure

1. Within a month after applying for the lease land privatization, the lessee shall pay the purchase amount of the land plot and of the real property located thereon or at least 20 percent of the purchase amount into a special account. A certificate evidencing payment of said amount should be produced to a respective territorial agency of the Ministry of Economic Development of Georgia.
2. The lessee may pay the buyout amount at once or by installments within 9 years. In such case, the procedure prescribed by Article 16 (2) and (3) of this Law shall apply.
3. The lessee may pay 50 percent of the total amount within a year after making the agreement, then the land plot and other real estate shall be considered bought out; in case 70 percent of the total amount is paid within 1 to 3 years, the land plot and the other real estate shall also be considered bought out; whereas on expiry of 3 years, the person shall pay 100 percent of the amount.

Chapter Three Privatization of Non-leased Agricultural Land

Article 13. Privatization of non-leased agricultural land by open auction

1. Privatization of the non-leased agricultural land shall be carried out at special and open auctions. An open auction will be held only if a special auction arranged in connection with the non-leased land has failed to choose the winner.
2. The right to participate in a special auction shall have only a person residing (registered in the Estate Book) on the territory of a town, village, settlement, or community where the saleable land plot is located.
3. The right to participate in an open auction shall have any citizen of Georgia and any legal person of private law registered in Georgia.
4. Information about the holding of a special and open auction shall be published in the press and displayed on the premises of a respective Sakrebulo/administration.

Article 14. Obligations of Sakrebulo, Ministry of Economic Development of Georgia and of its territorial agency during privatization of non-leased agricultural lands

1. Obligations of a Sakrebulo during the privatization of a non-leased land plot are:
 - a) The selection of land areas and their optimal parceling (in not less than 3-hectare plots. Said restriction shall not apply if the plot's size is less than 3 hectares);
 - b) The working out of a privatization program and its furnishing to a respective territorial agency of the Ministry of Economic Development for approval;
 - c) The arrangement and holding of a special auction. The drawing up of a successful bidder announcement report and its delivery to the winner;
 - d) The furnishing of documents to a respective territorial agency of the Ministry of Economic Development for holding an open auction if the special auction has failed to reveal a winner;
 - e) The making public of the information concerning the saleable and already sold land plots.
2. Obligations of the Ministry of Economic Development and of its territorial agency during privatization of the non-leased or the former lease land plots are:
 - a) The consideration of a privatization program, its coordination with the respective state agencies, and approval;
 - b) The making public of a draft privatization program one month in advance of the privatization program approval;
 - c) The arrangement and holding of an open auction;
 - d) The drawing up of a successful bidder announcement report;
 - e) Upon production of a successful bidder announcement report regarding special and open auctions and of a buyout payment receipt, the issue of a land and other real estate purchase deed for recording the title in the Public Register, or the issue of the land and other real estate purchase deed and making of a hypothecation agreement for recording the title and hypothecation in the Public Register, in case the buyout amount is paid by installments.
 - e) The making public of the information concerning the saleable and already sold land plots.

Article 15. Starting selling price of land plots put for special and open auctions

1. The starting price of a land plot saleable at a special auction shall equal the two-fold amount of the basic annual agricultural land charge determined under the tax Code of Georgia at the time of notifying the sale by auction.

2. The starting price of a non-leased land plot saleable at an open auction shall equal the two-fold amount of the basic annual agricultural land charge determined under the Tax Code of Georgia at the time of announcement of the sale by auction. The starting price of the former lease land plot saleable at an open auction shall equal the ten-fold amount of the basic annual agricultural land charge determined under the Tax Code of Georgia at the time of notifying the sale by auction.
3. If a plot accommodates state-owned industrial and auxiliary buildings and/or perennial plants, the starting price of the land plot saleable at special and open auctions shall be increased by their cost established by law.

Article 16. Procedure for paying value of land plot purchased at special and open auctions

1. Within a month after receipt of a report evidencing winning at special and open auctions, the winner shall pay the purchase amount of the land plot and of the real property located thereon or at least 20 percent of the purchase amount into a special account and produce evidence thereof to a respective territorial agency of the Ministry of Economic Development of Georgia. Only after production of said document, a land and other real estate purchase deed for recording the title in the Public Register may be issued, or the land and other real estate purchase deed may be issued and a hypothecation agreement for recording the title and hypothecation in the Public Register may be made, in case the amount is paid by installments.
2. The purchaser may pay the buyout amount of the land plot and of the real property located thereon at once or by installments within 9 years. In the case of payment by installments, the person shall pay every following year at least 10 percent of the total amount. Upon payment of the first installment, the property shall be encumbered by hypothecation in favor of the State and recorded in the Public Register. Hypothecation shall be annulled after the total amount has been paid.
3. If the person fails to pay the fixed amount by the deadline as per paragraph 2 of this Article, the property shall be sold in the procedure established by the Georgian legislation.
4. If the successful bidder at special and open auctions pays 50 percent of the total amount within a year, then the land plot and other real estate shall be considered bought out; in case 70 percent of the total amount is paid within 1 to 3 years, the land plot and the other real estate shall also be considered bought out; whereas on expiry of 3 years, the person shall pay 100 percent of the amount.

Chapter Four
Registration of Property Right and Hypothecation to/on Agricultural Land

Article 17. Registration of Property Right and Hypothecation

1. The property right and hypothecation (where available) to/on agricultural land and other real estate shall be registered jointly, in the form of initial registration.

2. The purchaser of land and other real estate by a special and open auction shall submit to a respective service of the National Agency of Public Register the following documents:
 - a) The registration application;
 - b) The issued by a territorial agency of the Ministry of Economic Development of Georgia land and other real estate purchase deed, or the land and other real estate purchase deed and the hypothecation agreement, in the case of payment by installments;
 - c) The natural person – a copy of the ID certificate or passport;
 - d) The legal person – the document certifying registration with the court or the Ministry of Justice of Georgia.
3. The purchaser of land and other real estate through direct sale shall submit to a respective service of the National Agency of Public Register the following documents:
 - a) The registration application;
 - b) The issued by a territorial agency of the Ministry of Economic Development of Georgia land and other real estate purchase deed, or the land and other real estate purchase deed and the hypothecation agreement, in the case of payment by installments;
 - c) The natural person – a copy of the ID certificate or passport;
 - d) The legal person – the document certifying registration with the court or the Ministry of Justice of Georgia
4. Upon change of the privatized property holder, the restrictions and obligations established under this Law shall automatically apply to a new holder of the land plot.

Chapter Five Transitional Provisions

Article 18. Transitional provisions

1. The revenues from the privatization of an agricultural land plot and the real estate associated therewith shall be directed to the development of the local infrastructure.
2. The Georgian government shall be in charge of ensuring the attraction of additional budgetary and non-budgetary funds for implementing the objectives provided for in this Law.
3. Within a month after enactment of this Law, the Ministry of Economic Development of Georgia shall draft and approve:
 - a) Regulations for the State-owned Agricultural Land Privatization Procedure;

- b) A standard form of a successful bidder announcement;
 - c) A standard for of a hypothecation agreement;
4. From the enactment of this Law and to the end of the year 2005, the usufruct agreements made with the organizations indicated in Article 2 (3), i) of this Law shall be revised and, where necessary, annulled based on a presidential edict.
 5. The rules prescribed by Articles 183 and 289 of the Civil Code of Georgia shall not apply to the proprietary relations implemented for the purposes of this Law.

Chapter Six Final Provision

Article 19. Final provision

This Law shall be enacted upon publication.

President of Georgia
MIKHEIL SAAKASHVILI

Tbilisi, 8 July 2005
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