

**TECHINFORMI**

**CONCESSION LAW  
OF THE REPUBLIC OF GEORGIA**

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**RESOLUTION**  
**of the Parliament of Georgia**  
**Regarding the "Concession Law"**  
**of the Republic of Georgia**

The Parliament of the Republic of Georgia resolves:

1. The "Concession Law" of the Republic of Georgia shall come into effect immediately after publication thereof.
2. The Cabinet of Ministers of the Republic of Georgia by February 1, 1995, shall established as follow:

An authorised government organ, which should be responsible for the co-operation of concessional agreements;

The list of facilities to concession; preliminary conditions of concession; and the list of Georgian establishment, which together with foreign investors will draw up draft concessional agreements;

Rule of Obligatory Public Examination;

Concession register and certificate forms.

3. The Ministry of Justice of the Republic of Georgia shall be responsible for the drawing up of bill which specify amendments to be made to relevant legislative acts of the Republic of Georgia.

Vakhtang Gogvadze,

Speaker of Parliament  
of the Republic of Georgia

*Tbilisi*

*December 21, 1994*

*No. 617-1c*

## **CONCESSION LAW OF THE REPUBLIC OF GEORGIA**

The present Law established the general principles and rules of giving on a contractual basis concession to foreign investors for the exploitation of Georgian natural resources and doing business related thereto on the territory of Georgia.

### **Section 1. General Conditions**

#### **Article 1. Concept of Concession**

The concession means a long-term leasing agreement made between and by the State and concessionary for the purpose of making foreign investments, exploitation of natural resources and doing business related thereto.

Special conditions of concession shall be provided in concessional agreement.

#### **Article 2. Legal Protection and Guarantees of Foreign Investors' Rights**

The rights of foreign investors, acting on the basis of concessional agreements, are protected and guaranteed by the "Foreign Investment Law", the "Lease Law" of the Republic of Georgia, appropriate governmental decrees and the concessional agreement.

The products and profits of concessionary gained through performance of concessional agreement, which will be left after paying all taxes, shall be the property of concessionary.

All articles, facilities and other valuables which have not been subject to concession and are produced or procured by the concessionary with the consent of owner shall be the property of concessionary.

The concession shall not be construed as the transfer of ownership of natural resources and manufacturing facilities to the concessionary.

### **Article 3. Fundamental Principles of Concession**

Fundamental principles of concession are as follows:

- longevity of concessional rights to use land and natural resources and to conduct specific business activities;
- competitive approach to the selection of concessionaries, based on the assessment of tenders, specific regulations of which will be provided by the Georgian legislation;
- compliance with labour, social security, nature exploitation and environment protection legislation of the Republic of Georgia.

### **Article 4. Subject and Scope of Concessional Agreement**

The subject of concessional agreement may be the rights to the search for, processing and exploitation of Georgian natural resources as well as to the conducting, with the participation of foreign investors, for the definite terms, of business, scientific, technological and exploitation activities on the territory of Georgia.

The Georgian legislation will identify the spots, facilities and the fields and types of business of which will be limited or prohibited.

### **Article 5. The Parties of Concession**

Foreign investors shall make concessional agreements with the Cabinet of Ministers of the Republic of Georgia or a special organ designated by the Cabinet of Ministers for this purpose.

The concessionaries may be foreign legal and natural persons, foreign state and international organizations.

## **Section 2. Preparation of Concessional Agreement**

### **Article 6. Co-ordination of Activities Related to the Concessional Agreement**

The Cabinet of Ministers of the Republic of Georgia or designated for this purpose special organ shall be responsible for the co-ordination of all activities related to the conclusion of concessional agreement.

The development and assessment of suggestions related to the concession shall be carried out by taking into account the interests of the Republic of Georgia and particular administrative - territorial units and the development of production forces.

#### **Article 7. Preparation of Concession**

The Cabinet of Ministers of the Republic of Georgia and appropriate governmental organs, within their terms of reference, shall draw up and make public the list of concessional facilities, the preliminary conditions of concession as well as the list of those Georgian organizations, which together with foreign investors will be responsible for the drawing up of draft concessional agreements.

The preparation of spots that are the subject to concession means the determination of precise limits of those spots, assessment and inventarization of property, evaluation of natural resources, ores, manufacturing and non-manufacturing funds.

With the concessional agreement there should be enclosed technical and economic argumentation of the project, assessment of its economic efficiency and ecological impact as well as guarantees of concessionary's solvency.

#### **Article 8. Basic Provisions of Concessional Agreement**

The concessional agreement shall include:

- a) The parties of Agreement;
- b) Terms of effect and concessional dues;
- c) Subject of concessional agreement, property to be transferred to the concessionary and the terms of transfer;
- d) Limits, within which the conclusion of concessional agreement is allowed, including environment requirements;
- e) Concessionary's obligation to comply with the Georgian Law;
- f) Concessionary's obligations to make additional constructions; provide for and maintain equipment; provide for the quality of manufactured goods, labour and environment protection; procure raw materials; and provide for the reproduction of resources which are subject to concession;
- g) Terms of putting into operation of enterprises;
- h) General organising plan of natural resources treatment;
- i) Rule of giving back of land spots;

- j) Issues related to the development of infrastructure, training of personnel, introduction of advanced technologies;
- k) Minimal amount of capital;
- l) Amount of parties' shares of the profits gained from the performance of project;
- m) Mode of reimbursement of underpreciated part of concessionary's property;
- n) Responsibility of parties in the event of breach of concessional conductions;
- o) Terms of transferring of concessional enterprises to the Republic of Georgia;
- p) Parties' guarantees, their juridical address and bank requisites.

#### **Article 9. Examination**

Before making of concessional agreement with foreign investors a complex examination of project from ecological, economic, scientific, technological, sanitation, hygienic, social, financial, defence and security standpoints shall be implemented.

The rule of Obligatory Public Examination shall be established by the Cabinet of Ministers of the Republic of Georgia.

Special expert commissions shall be responsible to conduct such examinations. These commissions will be established by the Cabinet of Ministers or its satellite organs and will consist of representatives of scientific circles, political organizations, etc.

#### **Article 10. Register**

The Cabinet of Ministers of the Republic of Georgia or its satellite organ shall established a special Register of concessional agreements.

### **Section 3. Basic Conditions of Concessional Agreement**

#### **Article 11. Rights of Party which Has Authorised Concession**

The party which has authorised to conclude concessional agreement shall have right to:

- take control over the concessionary's compliance with Georgian Law;
- appoint an auditor for the checking of concessionary's business.

## **Article 12. Rights of Concessionary**

The concessionary shall have right to:

- do business on the territory of Georgia in compliance with Georgian legislation and concessional agreement;
- manage its own products and profits, which are left after paying all dues and taxes;
- export profits abroad in accordance with the rules provided by Georgian legislation;
- use water, energy, communications, roads, fit the concessional territory in, establish and rent warehouses, shops, and other commercial facilities;
- lure Georgian and foreign citizens, as well as people without citizenship, as blue -and white -collar workers;
- for the purposes of providing for the production process, take advantage of importing equipment, tools, working clothes and food without paying duties; but concessionary shall not sell all these goods or use them outside of concession spot;
- take advantage of privileges established by Georgian legislation for long-term investments and reinvestments of profits related to the paying of taxes, duties, etc., for the purpose of development of concessional enterprises and infrastructure as well as development activities;
- bring claims to the court or arbitration court against public organs for their abuse of powers.

## **Article 13. Obligations of Party which Has Authorised Concession**

The party which has authorised concession shall have obligations to:

- protect foreign investments; comply with Georgian Law; not to admit a unilateral change of concession's conditions; within its terms of reference establish favourable conditions for the implementation of concession;
- take responsibility in sense of property in the event of damages that may occur as a result of abuse of power by public organs;
- not interfere in concessionary's business, except cases provided by agreement;

## **Article 14. Obligations of Concessionary**

The concessionary shall have obligations to:

- to comply with Georgian Law;

- to comply with concessional agreement and not to change its conditions unilaterally; pay fine in the event of breach of agreement; reimburse damages in the event of overmuch exploitation losses of raw materials; overmuch clogging of environment, etc.

### **Article 15. Concessional Dues**

The concessional agreement shall specify all dues that shall be paid by the concessionary. Those dues may include: payment for concession, rent, duties, royalties, bonuses and other payments as parties agree. The Cabinet of Ministers of the republic of Georgia in its lists may establish fixed payment for the use of raw materials and certain resources.

The payment for concession may be performed in money, in kind (part of concessional enterprise manufactured products), in both or in shares.

The concessionary shall pay taxes and duties according to the actual legislation of the Republic of Georgia.

### **Article 16. Terms of Employment**

Terms of employment in concessional agreement shall comply with labour and employment legislation of the Republic of Georgia.

The issues of business activities, labour, holidays, salaries, medical service, social security, labour protection and other conditions with respect to foreign on the territory of Georgia as well as other issues of social and economic character related to the foreigners is regulated by appropriate international legal norms and legislative acts of the Republic of Georgia the concessional agreements may provide special conditions referring to foreigners' living in Georgia.

### **Article 17. Duration of Concession**

The duration of concession shall be determined according to its nature and conditions.

Concessional Agreement may be valid at minimum 5 at maximum 50 years. The parties shall determine specific term within above indicated limits of duration.

### **Article 18. Prolongation and Termination of Concession**

The concessional agreement may provide the conditions of prolongation of agreement if new term does not exceed hereby specified limit. In the event of prolongation the conditions of agreement may be changed at the parties' will.



An intermediary term may be provided in the agreement after expiration of which some conditions may be changed.

The change, prolongation or termination of agreement should be performed in accordance with "Foreign Investment Law" and "Lease Law" of the Republic of Georgia as well as other legislative acts. In the event of prolongation of concessional term an additional examination, especially the ecological one, shall be carried out by taking into consideration changes which may occur. The conditions of concessional agreement may be changed only by the consent of both parties.

The termination of concessional agreement is possible either by both parties or by court.

#### **Article 19. Resolution of Disputes**

All disputes occurred in relation to the contractual agreement shall be resolved through negotiations.

If the understanding is not achieved the case shall be referred to the court.

#### **Article 20. Insurance**

The concessioner shall insure at his/her own expense the concessional property against destruction, loss or damage by the amount determined by insurance rules existing in Georgia.

**Decree of the Parliament of Georgia  
on Making Amendments and Addenda to the Law of  
Georgia “On the Procedure for Granting Concessions to  
Foreign Countries and Companies” of  
21 December 1994**

In accordance with the Georgian Constitution and the Law of Georgia “On the Procedure for the Executive Power’s Structure and Activity” of 8 December 1995 the Parliament of Georgia has decreed:

The words “The Republic of Georgia” and “The Cabinet of Ministers of the Republic of Georgia” shall be replaced with the words “Georgia” and “The authorized body established under legislation of Georgia” accordingly in the Decree of the Parliament of Georgia of 21 December 1995 concerning the Law of Georgia “On the Procedure for Granting Concessions to Foreign Countries and Companies” (The Georgian Parliamentary Gazette, 1995, Nos. 27 - 30, Art. 622).

Vice Chairman of  
Parliament of Georgia  
Giorgi Kobakhidze  
Tbilisi,  
19 September 1996

## **Law of Georgia on Making Amendments and Addenda to the Law of Georgia “On the Procedure for Granting Concessions to Foreign Countries and Companies” of 21 December 1994\***

The Parliament of Georgia has decreed:

The following amendments and addenda shall be made to the Law of Georgia “On the Procedure for Granting Concessions to Foreign Countries and Companies” of 21 December 1994 (The Georgian Parliamentary Gazette, 1995, Nos. 27 - 30, Art. 661).

1. The words “The Republic of Georgia” shall be replaced in the text of the Law with the word “Georgia”.

2. The words “The Cabinet of Ministers of the Republic of Georgia or its authorized body”, “The Cabinet of Ministers of the Republic of Georgia and appropriate bodies”, “The Cabinet of Ministers of the Republic of Georgia”, “The Cabinet of Ministers of the Republic of Georgia or its authorized bodies” in articles 5, 6, 7, 9 and 10 of the Law shall be replaced with the words “The authorized body determined under legislation of Georgia”.

3. First paragraph of Article 2 shall be established with the following wording: “The protection and ensurance of rights and guarantees of foreign investors acting on the basis of concession shall be effected under legislation in force”.

4. The sixth paragraph shall be removed from Article 12.

5. The words “Inadmissibility of unilateral alteration of terms of agreement” shall be removed from Article 13.

6. Article 14 shall be supplemented with the following paragraph:

“Prepayment of the sum intended for the liquidation or conservation work conduct of the cultivation and entrails-use objects because of expected land surface damage due to the use of entrails. The entrails-user shall receive the prepaid sum in full provided he conducts said work, otherwise the sum will be used by the state with the purpose of settling the problem”.

7. The words “rental” and “in agreement of the parties” in the first paragraph of Article 15 shall be replaced with the words “lease” and “under legislation in force”, accordingly.

8. The first paragraph of Article 15 shall be supplemented with the following sentence: “The amount of the sum intended for the liquidation or conservation work of the recultivation and entrails-use objects in connection with the damage caused by the use of entrails shall be determined under legislation”.

9. The second paragraph of Article 15 shall be removed.

10. Article 17 shall be established as follows: “Periods of the concession agreement shall be defined under legislation”.

11. The last sentence shall be removed from the first paragraph of Article 18.

The first sentence of the third paragraph shall be established as follows: “The grant agreement terms alteration, its prolongation or disruption shall be carried out in accordance with legislation of Georgia”.

The words “The agreement terms alteration is possible only under agreements of the parties. The concession agreement may be disrupted either under agreement of the parties or by the court’s decision” shall be removed from the third paragraph.

12. Article 19 shall be worded as follows: “Any dispute in connection with the concession agreement shall be settled by the court”.

President of Georgia  
Eduard Shevardnadze  
Tbilisi,  
19 September 1996