

Last Amended on October 26, 2007

**Law of Georgia
On
Privatization of Agricultural Land Existing in State Ownership**

Chapter I. General Provisions

Article 1. Purpose of the Law

The purpose of this Law is utilization of State agricultural land fund, its rational usage and facilitation of land market development through privatization of the agricultural lands existing in State ownership.

Article 2. Scope of Regulation of the Law

1. This Law regulates issues related to privatization of State-owned agricultural lands.
2. According to the Law, all leased or non-leased agricultural lands existing in State ownership, except for the categories of lands listed in Point 3 of this Article are subject to privatization.
3. According to this Law, the following categories of State-owned lands are not subject to privatization: (28.12.2005, N2601)
 - a) Pasturelands other than those leased out before the enactment of this law which under the act issued by the competent state or local government (self-government authority) are duly allotted to the buildings and premises located thereon which are the private property of individuals or legal entities or the property of the state; (29.12.2006, N4321)
 - b) Cattle transfer routes;
 - c) The first zone (zone of strict regime) in sanitary protection area around water supply units (26.11.2007);
 - d) Lands of forest funds, which are used for agricultural purposes;
 - e) Recreational lands;
 - f) Lands occupied with historical, cultural, natural and cult-religious monuments;
 - g) Lands of protected territories;
 - h) Deleted (26.10.2007).
 - i) Agricultural lands that are used by the Budget-funded institutions and legal persons of public law in form of usufruct.
4. The lands indicated in Subparagraphs b), c), d) and e) of Paragraph 3 of this article may be privatized only if significant projects are implemented, on which government of Georgia, based on the suggestion of the Ministry of Economic Development of Georgia, shall take special decision. At the same time the land indicated in subparagraph c) of paragraph 3 of Article 3 may be privatized if the conditions of sanitary protection are met. (26.10.2007).

Article 3. Definition of Terms Used in the Law

1. Terms used in this Law have the following meaning:

- a) **Agricultural land** – land existing in State ownership, which is used for producing planting and animal farming products, with or without agricultural and auxiliary premises located on it;
- b) **Privatization of agricultural land** – onerous transfer of State-owned agricultural land into private ownership of citizens of Georgia or legal persons of private law registered in Georgia and gratuitous transfer thereof into private ownership to the Georgian Independent Apostolic Orthodox Church; (8.12.2006, N3877)
- c) **Land parcel** – one specific geographical unit to which land ownership or land use right applies and is enclosed by one continuous line.
- d) **Other real estate** – farming or auxiliary premises and perennial plants located and firmly fixed on agricultural land;
- e) **Special auction** – form of auction, participants of which make one-time bids of the purchase price of property in a written form. Only citizens of Georgia recorded in the Household Book or/and registered based on ID cards within territorial boundaries of a specific administrative unit – settlement (village, town, city) or within union of settlements (community). record in Household Book shall be approved by the certificate issued by local self-government bodies or by the extract from Household Book. (26.11.2007).
- f) **Open auction** – form of auction, when multiple bidding of the price for the property to be purchased is allowed. Citizens of Georgia and legal persons of private law registered in Georgia have the right to participate in the auction of this form;
- g) **Privatization plan** – integrity of the information on the cadastral surveys, cadastral records, area, location, qualitative (good/barren) indicators of the privatization parcels, the starting land parcel price calculated in view of such information and the respective advance; (8.12.2006, N3877)
- h) **Direct sale** – transfer of ownership right over the leased State-owned agricultural land to the lessee by the State through the direct sale;
- i) **Household book** – register listing households and their members within territorial boundaries of a specific administrative unit – settlement (village, town, city) and union of settlements (community), which evidences residency and household membership of a person within specific populated areas. (8.12.2006, N3877).
- j) **Privatization through direct sale under competition** – transfer of ownership right to the state-owned agricultural land through the direct sale under competition as defined by the Law of Georgia on Privatization and Alienation of State and Local Self-government Properties (26.11.2007);
- k) **Formerly leased agricultural land** – agricultural land leased before or after adoption of present law, on which the lease agreement has been ceased or abolished (26.11.2007).

Article 4. Declaration of Agricultural Lands Parcels as Ownership of the Georgian Independent Apostolic Orthodox Church

1. Pursuant to the Article 11 of the Constitutional agreement between the Georgian State and the Georgian Independent Apostolic Orthodox Church:
 - a) Agricultural parcels existing in use of Georgian Autocatalytic Orthodox Church are declared as the ownership of the Church;
 - b) Under the agreement with the local governances, the Church is authorized to receive in ownership non-leased agricultural land parcels free of all charges.

Article 5. Forms of Agricultural Land Privatization

1. Privatization of agricultural land is conducted through special auctions, open auctions, direct sales or direct sales under competition (26.11.2007);
2. Non leased State-owned agricultural land parcels shall be privatized through special auctions;
3. Agricultural land parcels that failed to be sold through special auctions and the parcels that were formerly leased shall be privatized through open auctions;
4. Leased State-owned agricultural land parcels shall be privatized through direct sale.
5. Agricultural state-owned land parcels that are not leased or/and formerly leased agricultural land parcels are subject to privatization through direct sale under competition (26.11.2007).
6. The rule and conditions for the direct sale under competition are provided for by the Law of Georgia on Privatization and Alienation of State and Local Self-government Properties (26.11.2007).

Article 6. Agencies Implementing Privatization of Agricultural Land

1. Privatization of state-owned agricultural lands is implemented by the Ministry of Economic Development of Georgia. Privatization through direct sale under competition is implemented by the decision of the president of Georgia (26.11.2007).
2. Deleted (26.11.2007).
implemented by village, city, daba, or community sakrebulo.
3. Considering the State and public interests, the Government of Georgia makes a special decision regarding privatization of each individual agricultural land parcel located in a 500-meter border line set by the Law of Georgia on State Border of Georgia.

Article 7. Documentation Identifying Purchase of Land Parcel

In the process of privatization of State-owned agricultural lands through special auction, open auction or direct sale of leased land, the territorial agencies of the Ministry of Economic Development create the minutes confirming purchase of land and other real estate, which is the basis for registration of ownership right in the Public Registry.

Article 8. Survey and Depiction of Land Parcels (26.11.2007)

Survey, depiction and preparation of cadastral maps for non-leased privatization land parcels are implemented by the executive bodies of local self-government.

Chapter II. Privatization of Leased Agricultural Land

Article 9. Terms of Privatization through Direct Sale

1. A necessary condition for privatization of land parcel through the direct sale is a lease agreement processed between the State and a lessee and registered in the Public Registry in accordance with the established rule.
2. In order to participate in direct sale of land or other real estate, a lessee must file a request application with the respective agency of the Ministry of Economic Development no sooner than one month after the effective date of this Law and before termination of lease agreement term, or in case of lease agreement, the term of which is longer than 10 years, lessee must file a request with the Ministry within 10 years beginning the lease agreement date.
3. Privatization of land parcel is carried out on the basis of the extract from public registry and cadastral plan (26.11.2007).
4. Lessee is not allowed to purchase partial area of the leased land. If the leased land consists of several spatially/geographically independent parcels, lessee has the right to purchase the desired parcel or parcels. In case of privatization of leased land parcel or parcels, the lease agreement for remaining parcels shall terminate and they shall be privatized through open auction.
5. If a lessee does not address the respective agency regarding privatization of land parcel, the land parcel(s) shall be sold through open auction after expiry of term established in Point II of this Article, according to Chapter III of this Law.
6. Deleted (26.11.2007).
7. After the effective date of this Law, agricultural land parcels qualifying for privatization shall not be issued in lease, except for the cases when the lease procedure had been already launched and the process could not be finalized by the effective date of this Law.
8. Lease agreement on leased agricultural lands may be amended, ceased or abolished in accordance with the legislation of Georgia by respective territorial agency of the Ministry of Economic Development of Georgia. Respective territorial agency of the Ministry of Economic Development is also authorized to complete the procedures for leasing agricultural land parcel. Local self-government body is responsible for monitoring of fee payment and informing respective agencies (26.11.2007).

Article 10. Authorities of Respective Rayon Agencies of Ministry of Economic Development and the Ministry in Privatization of Leased Land Parcels

In the process of privatization of leased lands, duties and responsibilities of the Ministry of Economic Development and its territorial agencies include:

- a) Accepting applications on privatization by lessees;
- b) Within one month after receiving the application, the Ministry or its territorial agency shall review detailed information on lessees and leased agricultural land parcel(s). If the documents are valid, the Ministry or its agency shall issue the minutes confirming land and other real estate purchase immediately after the receipt of payment is submitted in order to allow ownership right registration in the Public Registry. If the payment shall be made in installments, the Ministry or its agency shall issue the minutes confirming purchase of land or other real estate and shall process the mortgage agreement in order to allow registration of ownership right and mortgage agreement in the Public Registry;
- c) Making decisions of the respective territorial agency of the Ministry of Economic Development public (26.11.2007).
- d) Deleted (26.11.2007).

Article 11. Selling Price of Leased Agricultural Land Parcel

During privatization of leased land through direct sale, the purchase price equals ten times the annual base rate of the agricultural land tax determined by the Tax Code of Georgia effective as of the date of submitting the application for privatization. If the State-owned farming and auxiliary premises and/or perennials are located on the land parcel, their price as determined by the legislation shall be added to the price of land.

Article 12. Rule of Payment of Land Price for Leased Agricultural Land Parcel

1. The lessee shall pay the total purchase amount or at least 20% of the purchase amount of the land parcel and other real estate within one month after receipt of the written notice from the territorial body. The receipt shall be submitted to the respective territorial unit. (28.12.2005, N2601)
2. Lessee can pay the purchase amount at once or in installments, in course of 9 years. In this case, rules established by Article 16, Points 2 and 3 of this Law shall apply.
3. If the lessee pays 50% of the entire purchase amount of the land parcel and other real estate within one month after receipt of the written notice, the purchase price shall be deemed to be paid in full. Such price shall be deemed as paid in full also if the person, in the event of payment of at least 20%, pays within 1 year after signature of the mortgage agreement 50% of the price or from 1 to 3 years – 70% of the price. After expiry of 3 years from the signature of the mortgage agreement, the person shall pay 100% of the price. (28.12.2005, N2601)

Chapter III. Privatization of Non-Leased Agricultural Land

Article 13. Privatization of Non-Leased Agricultural Land through Special and Open Auctions

1. Non-leased agricultural land is privatized through special and open auctions. Open auction can be organized only if the winner shall not be identified at the special auction organized for the non-leased land.
2. Only the citizens of Georgia recorded in the Household Book or r/and registered against an ID within the territorial boundaries of a specific administrative unit – settlement (village, town, city) and union of settlements (community) have the right to participate in special auctions. (8.12.2006, N3877)
3. Every citizen of Georgia and legal person of private law registered in Georgia, has the right to participate in open auctions.
4. Information concerning special and open auctions shall be published in press and posted in the appropriate sakrebulo buildings.

Article 14. Obligations of the Local Government Representative Bodies and the Ministry of Economic Development and its Respective Territorial Bodies in Privatization of Non-leased Agricultural Lands (8.12.2006, N3877)

1. In the process of privatization of non-leased lands, the obligations of the local government representative bodies are: (8.12.2006, N3877)

- a) Selecting land areas for privatization and dividing them into land parcels of optimal size (parcels of no less than 3 hectares. This restriction does not apply if the area of the land parcel is smaller than 3 hectares);
- b) Sending cadastral information on land parcels subject to privatization to the respective territorial bodies of the Ministry of Economic Development for approval of privatization plans (26.11.2007);
- e) Ensuring publicity of information concerning sold and selling land parcels.

2. In the process of privatization of non-leased or formerly leased land parcels, duties and responsibilities of the Ministry of Economic Development and its respective territorial bodies are:

- a) Preparation draft privatization plan, agreeing it with the respective territorial bodies of the Ministry of Environment and Natural Resources of Georgia and approval thereof; Privatization plan may be approved when the land parcels are grouped in lots (26.11.2007);
- b) Deleted (26.11.2007);
- b¹) Organizing and holding a special auction, drawing up the auction winning records and furnishing it to the winner of the auction; (8.12.2006, N3877)
- c) Organizing and conducting open auctions;
- d) Compiling minutes identifying the winners in open auctions;
- e) Issuing the minutes confirming land and other real estate purchase immediately the minutes identifying the winners in the special and open auction is submitted along with the receipt of payment in order to allow ownership right registration in the Public Registry, or if the payment shall be made in installments, issuing the minutes confirming purchase of land and other real estate and processing the mortgage agreement in order to allow registration of ownership right and mortgage agreement in the Public Registry;
- f) Deleted (26.11.2007).

Article 15. Initial Selling Price of Land Parcel to be Auctioned through Special and Open Auctions

1. Initial price of the land parcel to be sold at a special auction equals twice the amount of the annual base rate of tax on agricultural land determined by the Tax Code of Georgia effective as of the announcement of the auction.

2. Initial price of the land parcel to be sold at an open auction equals two times the amount of the annual base rate of tax on agricultural land effective as of the announcement of the auction as determined by the Tax Code of Georgia. Initial price of the formerly leased agricultural land equals ten times the amount of annual base rate of tax on agricultural land determined by the Tax Code of Georgia as of the announcement of the auction.

3. If the State-owned farming facilities and auxiliary premises and/or perennial plants are located on the land parcel, their price as established by the law shall be added to the initial price of the land parcel to be sold at special and open auctions.

Article 15¹. Condition for Participation in Special and Open Auctions (8.12.2006, N3877)

1. To participate in special and open auctions, an interested person shall pay the advance of 30% of the starting purchase price of the land parcel.

2. The advance in the event of special and open auctions shall be paid to the account designated by the respective territorial unit of the Ministry of Economic Development of Georgia.
3. The winner's refusal to sign the auction winning minutes shall deprive him of the winner's status and such person shall forfeit the advance.
4. The advance shall be refunded to the losing participants or to those participating in failed auctions after presentation of the advance receipt, by request of the respective territorial unit of the Ministry of Economic Development of Georgia. The bank institution shall pay back the advance to the persons by instruction of the respective territorial unit of the Ministry of Economic Development of Georgia within 5 calendar days.

Article 16. Rule of Payment of Land Parcel Price Purchased through Special and Open Auctions

1. The winner of special and open auctions shall pay, within one month after receiving the minutes identifying the auction winner, the entire purchase amount of the land parcel and real estate located on it, or at least 20% of the purchase amount and shall submit the receipt to the respective territorial unit of the Ministry of Economic Development of Georgia. Only after submission of this document, the minutes confirming purchase of land and other real estate shall be issued to register ownership right in the Public Registry, or, if the purchase price is paid in installments, the minutes on the purchase of land and other real estate shall be issued and the mortgage agreement shall be made in order to allow registration of ownership right and mortgage in the Public Registry. If the winner fails to present the receipt within the set term, the auction results shall be declared invalid and the advance shall not be refunded to the winner. (8.12.2006, N3877)
2. The buyer can pay the purchase amount of land parcel and real estate located on it at once or in installments, in course of 9 years. In case of payment in installments, every subsequent year the buyer pays at least 10% of the full amount to be paid. After payment of the first installment of the amount, the property is encumbered with a mortgage to the benefit of the State and registered in the Public Registry. After full payment of the amount, the mortgage shall be cancelled.
3. If the person fails to pay the determined amount within the set deadlines as required by Point 2 of this Article, the property shall be sold in compliance with the rule determined by the legislation of Georgia.
4. If the lessee pays 50% of the entire purchase amount of the land parcel and other real estate within one month after receipt of the written notice, the purchase price shall be deemed to be paid in full. Such price shall be deemed as paid in full also if the person, in the event of payment of at least 20%, pays within 1 year after signature of the mortgage agreement 50% of the price or from 1 to 3 years – 70% of the price. After expiry of 3 years from the signature of the mortgage agreement, the person shall pay 100% of the price. (28.12.2005, N2601).

Article 16¹. Rule of Payment for the Land Acquired through Direct Sale based on Competition

Amount of the price, as well as rules, conditions and terms of payment for the land parcel acquired through direct sale under competition shall be determined by respective decision of the president of Georgia (26.11.2007).

Chapter IV. Deleted (26.11.2007).

Chapter V. Transitional Provisions

Article 18. Transitional Provisions

1. Funds gained from privatization of the agricultural lands and real estate related to them shall be spent on development of local infrastructures.
2. The Government of Georgia shall attract additional budget and non-budget funds to provide implementation of activities envisioned by this Law.
3. Within one month after the effective date of this Law, the Ministry of Economic Development of Georgia shall elaborate and approve:
 - a) Provision on Rule of Privatization of State-Owned Agricultural Lands;
 - b) Form of Minutes identifying the winner in the auction;
 - c) Form of Minutes confirming land and other real estate purchase to be submitted with the Public Registry;
 - d) Form of mortgage agreement.
4. Beginning the effective date of this Law till the end of 2005, usufruct agreements made with organizations indicated in Item I, Point 3 of Article 2 of this Law shall be reviewed and terminated under the Presidential Decree as required.
5. The rules for necessary notarization of a document for the origin of immovable property rights established by Articles 183 and 289 of the Civil Code of Georgia shall not apply to real estate relations implemented under this Law. (8.12.2006, N3877)

Chapter VI. Final Provision

Article 19. Final Provision

This Law shall become effective immediately after its publication.

President of Georgia

Mikheil Saakashvili

Tbilisi

July 8, 2005

N 1896-RS