FINAL REPORT

GEORGIA LAND MARKET DEVELOPMENT PROJECT

October 31, 2005

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GEORGIA LAND MARKETS DEVELOPMENT PROJECT

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DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

ACRONYMS

ACDI/VOCA	Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance
ADR	Alternative Dispute Resolution
AICPA	American Institute of Certified Public Accountants
AID	Agency for International Devlopment
APLR	Association for the Protection of Landowner's Rights
BAH	Booz-Allen & Hamilton, Inc.
BP	British Petroleum
BP	British Petroleum
BTI	Bureau of Technical Inventorization
CA	Cooperative Agreement
CBED	Community-Based Economic Development
CBO	Community Based Organizations
CD	Compact Disc
CELD	Communities Empowered for Local Decision-making
CTC	Centre for Training and Consultancy
DAI	Development Alternatives, Inc.
ESL	English as a Second Language
ETI	Educational Training Institute
FAO	Food and Agricultural Organization
GDP	Gross Domestic Product
GEGI	Georgia Enterprise Growth Initiative
GEL	Georgian Lari (currency)
GFPAV	Georgian Federation of Professional Asset Valuers
GIS	Geographic Information Systems
GOG	Government of Georgia
GREA	Georgian Real Estate Association
ha	hectare(s)
IASC	International Accounting Standards Committee
ILS	International Land Systemes, Inc.
IRPF	International Real Property foundation
IVCf	International Valuers Standards
KfW	Kreditanstalt Fuer Wiederaufbau/KfW Bank
LLC	Limited Liability Corporation
LMDP	Land Market Development Project
LTC	Land Tenure Center
MLS	Multiple Listing Service
MoD	Ministry of Defence
MoF	Ministry of Finance
MoJ	Ministry of Justice

MP	Member of Parliament
NAPR	National Agency of Public Registry
NAPR	National Agency of Property Registration
NGO	Non Governmental Organization
ORIS	Accounting Software
RDA	Receive-Delivery Act
RDI	Rural Development Institute
SDLM	State Department of Land Management
SII	Stewart Information International
SRO	Self-Regulating Organization
SSAE	Statements on Standards for Attestation Engagements
TDY	Temporary Duty
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USAID	United State Agency for International Development
VAT	Value Added Tax
WB	World Bank
WTO	World Tourism Organization
IMF	International Monetary Fund
PREGF	Poverty Reduction and Economic Growth
WUA	Water User's Association
IFAD	International Fund for Agricultural Development
EU	European Union
GTZ	German Techincal Cooperation/Deutsche Gessellschaft fur Technische Zusammenarbeit
SIDA	Swedish International Development Cooperation Agency
WB	World Bank
TV	televison

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TABLE OF CONTENTS

Final Report: Land Market Development Cooperative Agreement 4
1. Background 4
2. LMDP Objectives 12
3. LMDP Achievements 13
3.1. Initial Registration of Agricultural Lands 13
3.2. Quality Assurance 17
3.3. Survey of 'White Spots' and Integration of Cadastral Information.....21
3.4 Activities in Ajara 23
3.5 Collaboration with Property Registration Agencies.....24
3.6 Policy Analysis and Legal Drafting 26
3.7 Support to Development of Alternative Dispute Resolution Mechanisms 27
3.8 Public Education 28
3.9 Legal Consulting 30
4. APLR Organizational Development 31
4.1 APLR Management Evolution.....31
4.2 Multiple Project Management 34
4.3 Terra Institute's Role.....38
5. SRO Development.....39
5.1 Realtors.....40
5.2 Valuers 41
5.3 Property Developers.....41
5.4 Property Managers 41
5.5 Auctioneers.....42
5.6 Notaries 42
5.7 Land Surveyors 42
5.8 Registrars.....42
5.9 Conclusions about the SRO Activities.....42
6. Land Markets.....42
7. Summary of targets and timelines.....47
8. Some of the Reports and Papers Produced under the C.A. 52

Table 1: Initial Registration Work Completed on Agricultural Land Parcels under BAH Contracts.....14
Table 2: Initial Registration Work Completed on Agricultural Land Parcels under APLR/Terra Contracts.....14
Table 3: Sale and mortgage transactions involving agricultural land 43
Table 4: Sales and Mortgages of Non-Agricultural Land 44
Table 5: Number of Sales and Mortgages—Ag and Non-Ag Land 45
Table 6: Sales and Mortgages in 2003 46

Figure 1: Small Parcels Created from the Land Reform.....5
Figure 2: An Allotment Certificate (Receive-Delivery Act).....8

Figure 3: President Handing Out Certificates of Ownership 10
Figure 4: A New Landowner.....10
Figure 5: Sakrebulo Index Map, Showing Blocks of Parcels 18
Figure 6: Display and Checking Process.....19
Figure 7: A Cadastral (Parcel Index) Map Showing Parcels in Blocks 20
Figure 8: KfW Orthophoto showing APLR Parcel Blocks.....22
Figure 9: A Registrar and Client, Consulting Registration Card Files 24
Figure 10: Sales and Mortgages of agricultural land 43
Figure 11: Sale and Mortgage Transactions on Non-Agricultural Land.....44
Figure 12: Sale and Mortgage Transactions on Agricultural and Nonagricultural Lands 45

APPENDICES

A: Quality Assurance Procedures – May 2003…… 53
B: Administrative Regulations of the APLR – July 2005…… 56
C: Data Holdings of the APLR……. 122
D: Lease of State-Owned Agricultural Land and General Review of Related Problems – March 8, 2002…….123
E: Country Case Study of Georgia – Presented at the World Bank Conference, Budapest Hungary – April 3-6, 2002……..129
F: Legal Issues Related to Households and Lands – October 15, 2003…… 176
G: The Other Agricultural Land Reform in Georgia: State Leasing of Land and to Private Farmers – May 8, 2003……...181
H: Manual for Display Procedures……..202
I: Land Privatization Pilot Project Report……..220
J: Ideas on the Main Goals and Principles of the Draft Law on Additional Privatization of State Owned Lands – June 17, 2002.....……..234
K: Privatization of Leases – September 25, 2004……254
L: The Development of a Non-Governmental Organization for Re-Defining Property Rights in Georgia – April 4, 2002……...263
M: Report on a Self-Regulating Organization "Umbrella Strategy" for the Land Market Development Project – October 25, 2001……...272
N: Analysis of Real Estate Market Development in Georgia – 2004……..285
O: Land Market Development Project Translations of Various Laws and Legal Acts…318

Final Report: Land Market Development Cooperative Agreement

1. Background

Total agricultural land in Georgia amounts to about 3 million hectares. There are approximately 795,000 hectares of arable land and nearly 268,000 hectares under perennial crops. Land classified as "mowing"[1] comprises 142,500 hectares, while pastureland occupies almost 1.8 million hectares.

The land tenure situation in 1991 was approximately as follows:

- Nearly 1,300 large collective and state farms cultivated about 3 million ha of agricultural land. About 1 million hectares were arable or perennially cropped land; the rest were mostly pasture and mowing lands.
- About 700,000 farm households cultivated about 15,400 hectares as household gardens plots.

A two-pronged agricultural land reform was devised in Georgia to move toward a market-oriented economy, one prong being the distribution of land parcels of up to 1.25 hectares in ownership to rural families (the "small parcel" approach), and the second being the leasing of the remaining state-owned land in larger allotments to physical and legal entities. The land reform program was intended to create a self-maintaining sector of subsistence-oriented small farmers and a market-oriented sector controlled by larger leaseholders[2].

The "small parcel" reform under Resolution 48 of January 1992 was planned to transfer ownership of the affected land from the state to households[3] on an emergency basis. Under this first reform, about 744,000 ha of agricultural land were distributed in ownership to 1,055,200 households. The average size of these privatized agricultural landholdings varied from 0.3 ha in districts with a low land-man ratio to 1.25 ha in districts with more available land[4]. As a result of this massive distribution of small agricultural land parcels, each household has received 3-4 parcels from village based land commissions, and were to receive "Land Receive and Delivery Acts" to document this acquisition of land.

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[1] The term "mowing lands" refers to land that cannot be plowed but is more commonly used for uncultivated grasses, which typically are mowed and stored for livestock feed.

[2] For more information on the land leasing program, see Appendixes D and G.

[3] See Appendix F for a discussion of the implications of allotments of land to households.

[4] See Appendixes E for more information on land tenure and land reforms in Georgia.

Figure 1: Small Parcels Created from the Land Reform

This reform was mainly socially oriented, in that Georgian citizens had the possibility to receive land parcels (totaling a maximum of 1.25 hectares) in private ownership, free of charge. With these allocations of land, people would produce agricultural products that on one hand would give them the possibility of family sustenance and on the other hand would assist the country to overcome complex social problems and a food deficit.

The reform had some positive results, especially from the social viewpoint, but this reform was also accompanied by some flaws. For example land fragmentation has been identified as one of the main flaws, presenting a serious problem for further development of agriculture and also farming and family activities (See Figure 1).

USAID support to the privatization process in Georgia began in 1977 following a visit by a USAID delegation to Georgian officials in the first part of the same year. During that visit, the delegation assessed the existing situation, and by the end of September of the same year a privatization support project was initiated through the company Booz-Allan & Hamilton (BAH). Experiences of similar works carried out by USAID in former Soviet Republics, particularly Moldova, served as basis for many of the Privatization Project activities in Georgia.

At the beginning of the Project there was no unified legislative framework, which would directly regulate land-related issues. Land reform itself (which started in 1992 by "privatization" of agricultural land and free of charge allocation of land to people) was carried out without such legislative framework being in place. This was the main reason for initially leaving non-agricultural or urban land without consideration in the early phase of transition.

Laws and normative acts at that time were contradictory and insufficient. No unified legal analysis of existing legislative framework had been made. A complete reference book of land-related laws and normative acts was prepared by the Association for the Protection of Landowners' Rights (APLR) through the grant obtained from Eurasia Foundation. However, the reference book did not include legal analysis of those laws but only assembled them in one publication—a very useful step, but only a first step.

The BAH Project staff and specialists from the APLR started their activities by researching and analyzing further the existing legislative framework. The improvement of the legislative framework for agricultural as well as non-agricultural land was the prerequisite of land market development in Georgia.

The Parliament of Georgia adopted several important laws. The initial drafting of some of these laws was assisted by the BAH Project and the Association for the Protection of Landowners' Rights, including:

- Law on Declaration of Private Ownership of Non-agricultural Land in Use of Physical and Private Legal Persons
- Law on Land Parcel and Related Immovable Property State Registration Fees
- Law on Amendments to the Law on Land Parcel and Related Immovable Property State Registration Fees
- Law on Amendments to the Law on Agricultural Land Ownership
- Law on Amendments to the Law on Administration and Disposition of State-owned Non-agricultural Land
- Order of the President of Georgia No. 327 "On Urgent Measures for the Initial Registration of Agricultural Land Ownership Rights and Issuance of Registration Certificates to Citizens of Georgia"

On October 28, 1998 the Parliament adopted the Law on Declaration of Private Ownership to Non-agricultural Land in Use of Physical and Private Legal Persons. Privatization envisaged in that law included the rights of owners, and at the same time turned out to be beneficial for the state. Following the agricultural land distribution program, the Project began working on improving the procedures for registering rights to the privatized land parcels. Initial registration, which was supposed to be official confirmation of privatization, should have been transparent and free of bureaucratic impediments, but instead often served as the source of corruption.

Upon the initiative of the Project the list of documents required for privatization and registration was decreased to minimum, and a Certificate was prepared for confirming the private ownership of land. Prior to the use of those certificates, the new "owners" were

supposed to receive the a "Receive-Delivery Act" from the State Department for Land Management, but for a rather high price. Receive-Delivery Acts confirmed the right of usage, not that of ownership. See Figure 2 for an image of a Receive-Delivery Act. See Figure 3 for the sketch of the parcels described in the RDA. The high price of the documentation which was calculated to cover the costs of the privatization process was an important reason why 70% of the population had not received the Acts by 1998. Moreover, it was necessary to carry out unified cadastral surveys and based on them to carry out initial registration and preparation of certificates. However, the state and the relevant body (SDLM) could not afford to finance these activities, but hoped for assistance from donor organizations in the near future. It should be noted that this final certification by the State was also planned to be charged to the new owners. At the same time a World Bank Project had already started a pilot program of land cadastral works in Georgia, which was conducting pilot activities in two raions.

In August 1998, simultaneously with work on privatization of non-agricultural enterprise land, the project started a pilot effort in two sakrebulos of Zestaponi raion, for producing survey plans of the privatized parcels of agricultural land and their initial registration in a rapid and effective way. The project envisioned the actual issuance of Certificates of Ownership to the new private landholders, and the provision to the Registration Offices of Property Cards and Maps.

At this time, the Project in association with the APLR had opened its offices at the Georgian Parliament and State Chancellery. While using these offices and, again, in cooperation with the APLR, the Project was raising the initiative of implementing free-of-charge initial registration and simple requirements towards preparing parcel maps. The reason for such an approach was the difficult social–economic situation and the necessity of rapid development of the land market in such conditions.

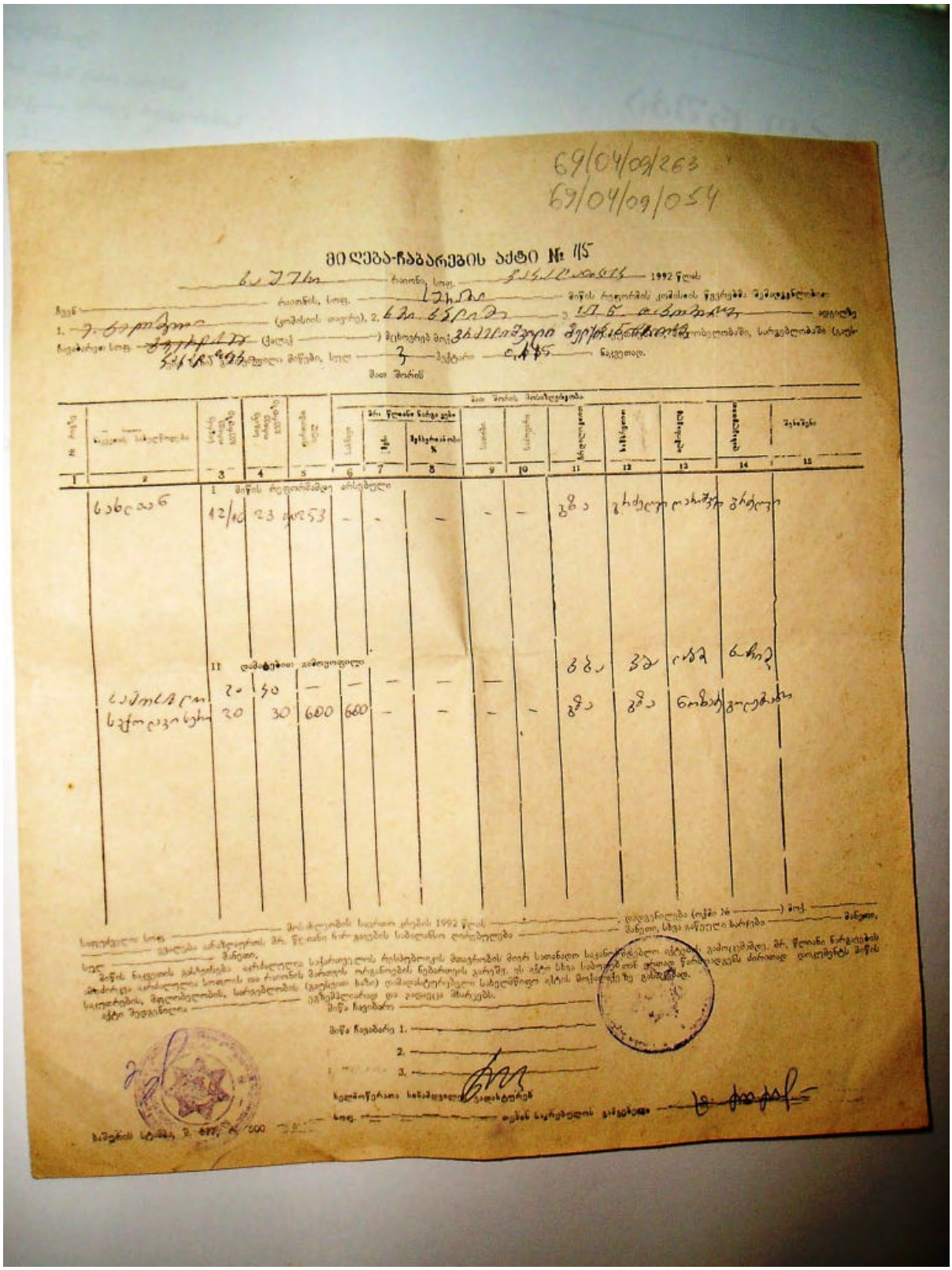

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Figure 2: An Allotment Certificate (Receive -Delivery Act)

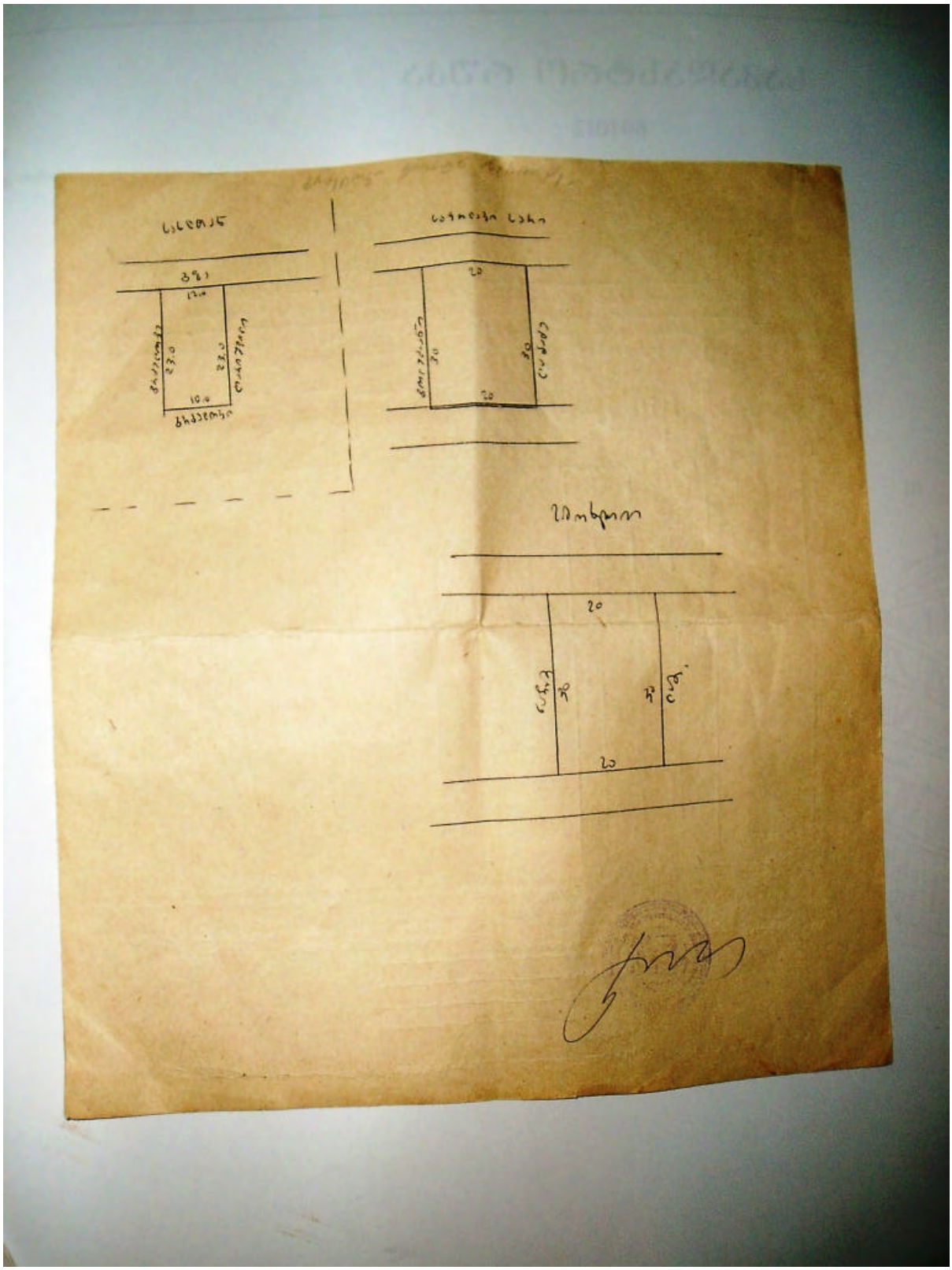


Figure 3: Sketch of Parcels on Back of RDA

Upon recommendations of USAID, the Project and the APLR, the President of Georgia approved the Decree No. 327 on May 16, 1999. Based on this Decree, initial registration was declared free-of-charge and, at the same time, the conduct of parcel mapping began to carried out using simplified methods for the purpose of acceleration of initial registration. With the field work completed in the Zestaponi Raion, a ceremony was held in Zestaponi on May 26, 1999, where the President of Georgia personally presented ownership certificates to the new land owners. (See Figures 3 and 4) This was the first time a public event had been held for such a purpose. The presentation was attended by the US Ambassador and other officials, both from the Georgian and the US Governments.

Figure 4: President Handing Out Certificates of Ownership

Figure 5: A New Landowner

The success of the pilot project in Zestaponi raion initiated expansion of project activities into 20 raions during 1999, and another 20 raions were added in 2000. The field work and preparation of registration materials and certificates were done for each raion in the project. This work was carried out by contracted private companies which, with the Project's assistance, had been supplied with office computer equipment and, where necessary, also with field geodesic tools. As result of this methodology, assistance to formation and development of private land survey companies was also carried out. Office processing of completed field cadastral work was conducted by these companies through use of computer equipment and standardized software, based on which the produced and printed registration documentation was submitted to the SDLM land registration offices in raions, for inspection and registration.

In the three years of the distribution of agricultural land to 700,000 households in the early 1990s, public opinion negatively evaluated the transfer of land into private ownership, wary of the loss of land by the farmers through sales. Dozens of seminars were held as were meetings with landowners, topographers, surveyors, farmers, brokers, representatives of banks, state agencies, the NGO sector and mass media. Dozens of ceremonies of issuance of certificates confirming ownership on land were held in many raions. These events were attended by representatives of international projects and the US government, President of Georgia, Chairman of Parliament, MPs, Chairman and employees of the SDLM, and landowners. See Figures 3 and 4. The ceremonies were widely covered by the press and television. Public opinion changed rapidly and drastically. In a 1995 poll of members of Parliament, 75% were against "privatization" and four years later in 1999, parliament leadership tried to organize a pro and con debate about the desirability of privatization. Not one member of Parliament would take the con position.

As result of the subdivision and distribution of land by village land commissions and SDLM field specialists, by the year 1999 in Georgia there already existed a wide stratum of private landholders of both agricultural and non-agricultural parcels. At the same time legal provisions were made for the conversion of possessory rights to house and apartments into ownership, including in the former parcels of land surrounding the houses.

With this varied but quite significant program of property privatization to households, it became necessary to provide support to them to confirm their ownership of the land and housing, and to enable them to conduct secondary transactions. People had to feel secure in their new rights, and had to be encouraged to make investments in their properties. The expectation of recovering these investments through future sales if need be meant that the land market itself needed to be activated. The Project played the role of a catalyst in this land market activation process as well. With assistance of the Project were formed private companies, which provided brokerage activities to agricultural landowners. The service which they provided to landowners was free-of-charge. These companies provided free-of-charge assistance to both purchasers and sellers of land, as well as to persons interested in mortgages or hypothecation of land. They practically conducted mediation between the SDLM registration offices, banks and other credit organizations on one hand and landowners on the other. This mediation also partly ensured transparency of the registration process. The project did not, however, focus on strengthening of the registration offices and procedures,

leaving that important part of the institutional development effort to the Government and other donors.

2. LMDP Objectives

In May, 2001, the APLR began its collaboration with Terra Institute with whom USAID had developed a Land Market Development Cooperative Agreement, whose original objectives were:

- Registration of an additional 1,400,000 parcels (for a total of 2,400,000 total since July 1999) and issuance of registration certificates to landowners that ensures secure title;
- Provide support for land transactions that lead to land market development;
- Provide public education and support to landowners to ensure the protection of their land rights;
- Provide support and assistance for further land privatization, including enterprise land;
- Advise on legal land reform and monitoring new land law introduced by GOG;
- Strengthen the APLR's administrative and financial management capacities for managing initial registration, land market policy development, public education concerning landowners' rights and responsibilities, and the promotion of security of rights to land and real estate through registered transactions.
- Conversion of the APLR and other organizations into Self Regulating Organizations (SRO's) which will include other groups or professionals related to real estate transactions, cadastral surveying, property appraisal, auction, and land registration services;
- Conduct foreign donor liaison;
- Report on project progress and other issues to USAID and other appropriate authorities.
- Establish a legal mediation and conflict resolution capability in the APLR[5].

Terra and the APLR prepared and signed an agreement to work together to achieve these objectives, with special emphasis on assuring the sustainability of the APLR once the agreement with Terra is completed.

In June, 2003, a two year extension of the LMDP was initiated with the general goal to improve the operations of land markets, particularly agricultural land markets.

The objectives of the extended LMDP were:

1) Complete a "quality assurance" program for the initial registration of agricultural reform land

[5] This objective was originally, "Enterprise land legal arbitration/resolution unit will be established in each raion", but was later modified as stated.

2) Develop, test, and revise regulations for implementing the law for the privatization of remaining State owned agricultural land, including the initial registration of agricultural land previously privatized but not registered (the "white spots" on the initial registration maps);

3) Develop the real estate market institutions, by
   - strengthening the policy voice of the APLR,
   - increasing the services of the APLR for assisting land owners,
   - Improving the legal/policy framework for the proper functioning of land markets

With the change in the political situation in Adjara, the LMDP was modified to include an objective of working with the KfW to carry out the initial registration of the privatized land parcels in that region.

3. LMDP Achievements

The APLR (with assistance from Terra and other organizations), has carried out the following activities under the LMDP:

3.1. Initial Registration of Agricultural Lands

APLR and Terra Institute have targeted the initial registration of 1.4 million agricultural land parcels across the country, in addition to the 1 million agricultural land parcels initially registered by the BAH Project, covering the vast majority of agricultural land parcels in the country that were transferred in private ownership during the land reform.

Georgia's breakaway regions of Abkhazia and South Ossetia until recently have not participated as the other regions of the country in the reform process due to the political situation in those regions. Ajara region has been involved in the ongoing land reform only partially and has seen very limited donor activity until 2004 when political situation there has changed and a new local government, loyal to the central authorities has been elected and appointed.

The APLR/Terra Institute team directly implemented the initial registration of agricultural reform land beginning the first half of 2001. This is the period when APLR, together with Terra Institute, assumed the responsibility of continuing and completing, within framework of the LMDP, the initial registration of 2.4 million land parcels. Currently the Project has reached the target of 2,408,000 parcels initially registered, including the 1 million parcels initially registered by Booz Allen during the period 1999-2001. The LMDP has been implemented in 52 raions of Georgia.

Assistance from Donor Community. Georgia has received a significant donor assistance to support agricultural land registration activities. Apart from USAID, several large players have been involved, including: (a) World Bank, focusing its activities on land registration in

Mtskheta and Gardabani raions; (b) UNDP, supporting land registration in Gori raion; (c) KfW, facilitating registration of state agricultural and residential lands.

Below is the information about number of parcels initially registered by raion by BAH and by the APLR/Terra projects.

Table 1: Initial Registration Work Completed on Agricultural Land Parcels under BAH Contracts

Contract		Stages of Initial Registration				
	Sketches, by Land Arrangers	Field Surveys Competed	Registration Cards, Cadastral Plans Prepared	Certificates Issued	Cadastral Index Maps Registered	Registration Journals Signed
OMNI II	284,409	332,940	327,241	325,284	326,244	N/A
Segir GBTI	966,492	950,000	835,759	674,716	673,756	1,000,000
Totals (approx)	1,250,901	1,282,940	1,163,000	1,000,000	1,000,000	1,000,000

Table 2: Initial Registration Work Completed on Agricultural Land Parcels under APLR/Terra Contracts

#	#	**Raion**	**# of registered agricultural parcels**	**certificates issued**
		Kakheti region		
1	1	Dedoplistskharo	3891	5793
2	2	Signagi	8351	12153
3	3	Kvareli	4301	7336
4	4	Sagarejo	4550	8294
5	5	Gurjaani	18096	22412
6	6	Telavi	1839	4229
7	7	Lagodekhi	1952	3634
8	8	Akhmeta	3055	4672
		Samegrelo-Zemo Svaneti region		
9	1	Abasha	28813	28811
10	2	Khobi	0	0
11	3	Senaki	5687	5661

12	4	Zugdidi	9023	17490
13	5	Martvili	62111	62089
14	6	Chkhorotsku	101433	101292
15	7	Tsalenjikha	117056	116209
16	8	Mestia	89920	89740
Kvemo Kartli region				0
17	1	Marneuli	43479	43477
18	2	Dmanisi	9780	13176
19	3	Bolnisi	21288	25722
20	4	Tetritskaro	23533	23404
21	5	Tsalka	8231	8214
Samtskhe-Javakheti region				
22	1	Aspindza	12810	12810
23	2	Adigeni	23212	23200
24	3	Akhaltsikhe	10800	16203
25	4	Akhalkalaki	41993	51961
26	5	Borjomi	1374	6668
27	6	Ninotsminda	19983	27942
Guria region				
28	1	Lanchkhuti	6096	9855
29	2	Ozurgeti	17066	19466
30	3	Chokhatauri	28994	28958
Imereti region				
31	1	Zestaponi	7890	7890
32	2	Sachkhere	18791	37637
33	3	Chiatura	34143	49014

34	4	Bagdati	26591	34363
35	5	Terjola	27688	29192
36	6	Tkibuli	24668	28532
37	7	Kharagauli	51352	51213
38	8	Tskaltubo	6404	6283
39	9	Khoni	11664	14157
40	10	Vani	19583	23523
41	11	Samtredia	6498	8185
Shida Kartli region				
42	1	Kaspi	1049	2306
43	2	Khashuri	2471	8952
44	4	Gori	88143	88143
Racha-Lechkhumi region				
45	1	Ambrolauri	47034	57148
46	2	Oni	34457	34457
47	3	Lentekhi	39791	39793
48	4	Tsageri	29437	33144
Mtskheta-Mtianeti region				
49	1	Akhalgori	11028	11027
50	2	Dusheti	18298	26790
51	4	Tianeti	5520	6744
52	5	Kazbegi	9016	9000
		TOTAL	1250233	1408364

Registered: 1,250,233

Certificates Issued 1,408,364[6]

Methodologies Used. Under the LMDP a separate sector within the APLR was created for initial registration activities. This Sector of Initial Registration engaged subcontractor

[6] During the Booz-Allen period, more parcels were registered than were issued certificates. The certificates for the BAH registered parcels were issued within the framework of the C.A. in order to meet the commitments for completing the initial registration of 2.4 million parcels under the USAID supported projects.

companies to conduct field activities. They were selected through tender, according to which they were required to supply relevant human resources and equipment. Subcontractor companies were responsible to form field groups to include one land surveyor and at least one assistant. Nearly 1000-1100 people were employed in selected 32 companies. Out of this number 450 persons were qualified as surveyors and the rest represented people with different specialties. Subcontractor companies accomplished support work for initial registration of up to 69 000 parcels on average per month.

In agreement with relevant state agencies and local offices, raions of Georgia were divided into sectors that coincided with borders of Sakrebulos and then subdivided further into quarters. Subcontractor companies retrieved outline sketches of land plots from local land arrangers, and thereafter started field activities. These activities included the surveying and mapping of privatized agricultural land parcels, the preparation of parcel index maps, the preparation of Registration Cards for each parcel indicating the owners, and the preparation of Registration Journals and Base Maps. To support effective operation of local registries, these materials were handed to the Raion Registrars at the end of the initial registration process for recording transactions as they would occur following the initial registration done through the LMDP. During field activities, land surveying was accomplished using special geodesic instruments, which allowed identification of parcel boundaries. Results of field activities were processed electronically and documentation necessary for registration was printed.

Ownership certificates were also prepared and distributed to the new owners as part of the initial registration process. With the registration cards and index maps in the Public Registries, and with their ownership certificates, the beneficiaries of the agricultural land reform became registered owners of land without bureaucratic barriers and payments.

In order to encourage local governments to support the land registration process, APLR has organized several ceremonies of distribution of Registration Certificates. Ceremonies have been attended by very high-level government officials that have openly supported the program and emphasized the free-of-charge distribution of certificates, therefore discouraging possible corrupt practices of money-extortion from the landowners.

3.2. Quality Assurance

APLR and Terra Institute have carried out the process of identifying and correcting mistakes which inevitably are made in the cadastral and registration work conducted to date, from the beginning of the program in 1997 up to the present day[7]. The APLR has strongly supported this effort to assure the work done by the Association is of high quality, both to protect the rights of land owners as well as the reputation of the Association. In an important sense, the APLR has taken on the "ownership" of the initial registration program, and is acting to protect and enhance the quality of the work done.

For the purpose of quality assurance, the Association began an energetic program of Quality Assurance. In the first phase of this program, the APLR created Sakrebulo Block Index Maps

[7] See Appendix A for more details concerning the Quality Control effort.

(See Figure 5), on which are shown the location of blocks of parcels initially registered under the project. Not only are any incorrectly surveyed blocks identified, but also valid blocks are located for helping Registrars and owners identify the location of parcels and for other projects to complete the systematic initial registration effort.

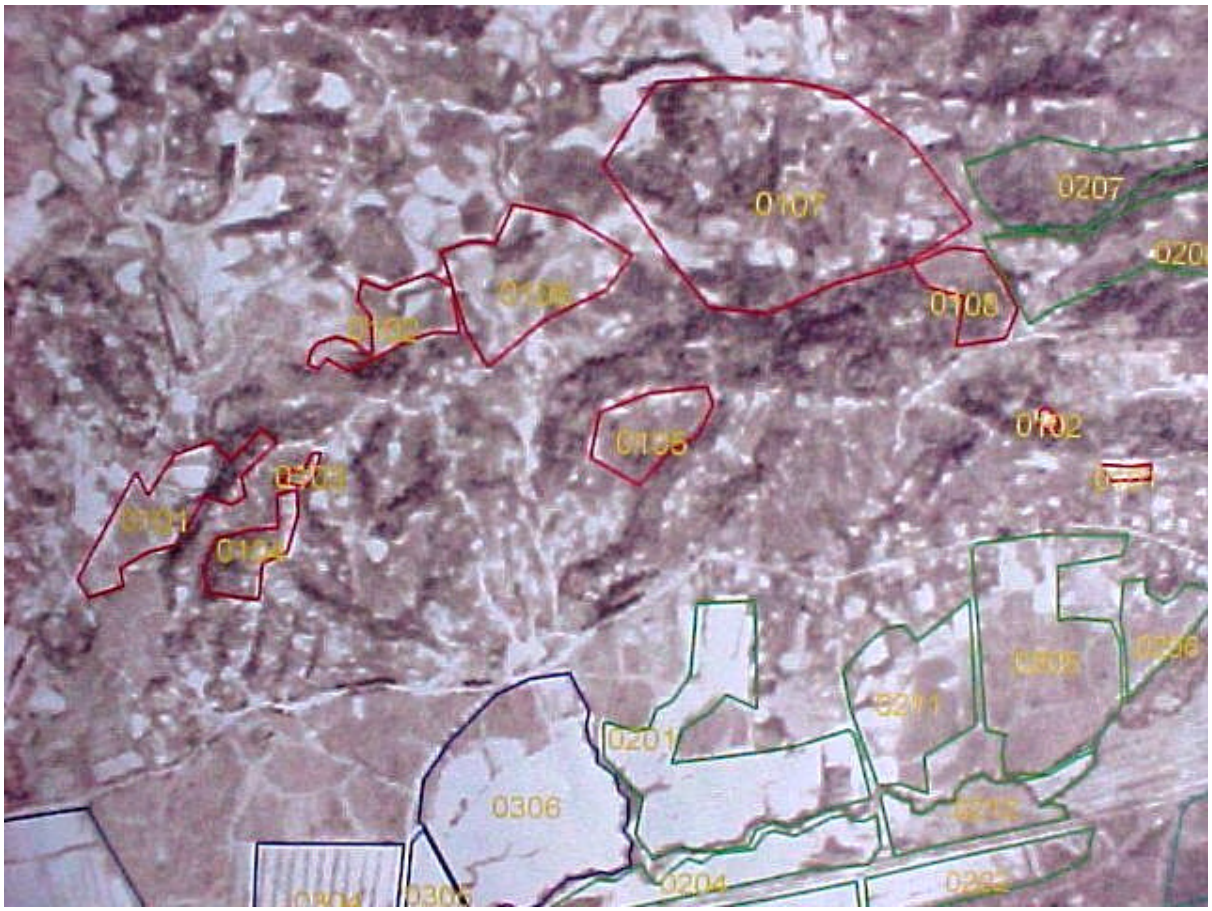


Figure 6: Sakrebulo Index Map, Showing Blocks of Parcels

The Display, Correction and Delivery phases of initial registration were parts of Quality Assurance Program. The public displays of cadastral and registration information (See Figure 6) took about 8 months, during which period in each of the 822 Sakrebulos of the country, displays and discussions were held concerning the information about parcel boundaries and ownership. People from the Sakrebulo personally evaluated the correctness and quality of conducted initial registration field work, and described any corrections that their evidence supported[8].

[8] See Appendix H for a description of the display procedures.

Figure 7: Display and Checking Process

These remarks and expressed complaints were recorded by the Association and presented to the Registrars for correcting their records. Adequately supported corrections were made to the already prepared cadastral and registration documents in the Public Registries. As a result, by the end of the Project the number of mistakes in the legal information provided to the Registrars has been minimized.

Since the initial registration information provided by the APLR to the Registrars included cadastral maps (See Figure 7), Sakrebulo Index Maps, and owner lists in alphabetical order as well as parcel lists in numerical order, the Registrars have become able to register transactions much more easily than previously.

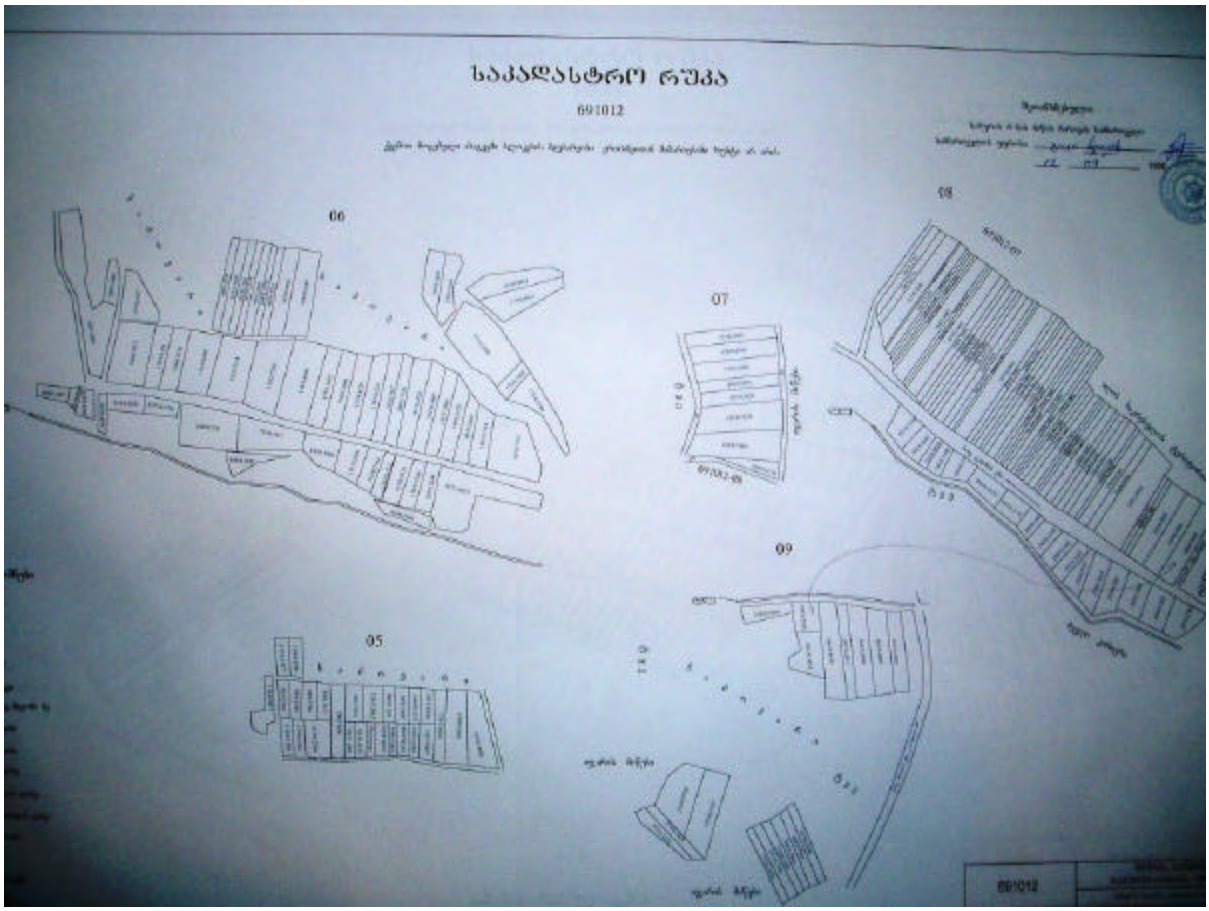


Figure 8: A Cadastral (Parcel Index) Map Showing Parcels in Blocks

An additional benefit of public displays of parcel maps and registration information in each Sakrebulo was that the Association has developed a Sakrebulo level set of maps based on ortho-photography and in some cases satellite imagery. These maps will be useful in the future program for the privatization of remaining State owned agricultural land, since they show the likely location of leased parcels. Such maps will also be useful for the planning of various types of development projects at the Sakrebulo level.

Another benefit of the public displays of the initial registration information is that it builds the direct contacts that the APLR has at the community level, in nearly every village of Georgia. Such contacts will be useful for future community mobilization and development programs in which the Association will participate in the future.

A more detailed description of APLR's quality assurance activities can be found in Appendix A.

Appendix C contains a description of the data holdings of the APLR which largely derive from the initial registration and quality control activities.

3.3. Survey of 'White Spots' and Integration of Cadastral Information

Background. For the proper functioning of the property registration system it has to be comprehensive and reliable. Several donor-supported projects carried out land survey and registration activities in Georgia using different technologies and procedures. This has resulted in absence of unified cadastral and registration information due in part to inadequate coordination of donor activities by the donors and by relevant state agencies. In this respect, special attention has to be accorded to the KfW Land Cadaster and Registration Project and USAID supported Land Market Development Project, as their activities encompassed almost the entire territory of Georgia (A UNDP supported Registration and Cadaster Project covered the Gori Raion only, and a World Bank Land Registration Project covered the Raions of Mtscheta and Gardabani. Both of these projects also made substantial contributions to office refurbishing and equipping in various raions).

KfW Project and LMDP both implemented activities in same sakrebulos, however problems existed that prevented the practical use of the data generated, namely: (a) no unified sakrebulo cadastral maps existed that would consolidate land plots surveyed by the two projects; (b) no uniform database existed with records on parcel owners; (c) within the Sakrebulo, certain areas remained not covered by either project leaving so-called 'white spots', territories for which no information existed.

Integration of Cadastral Information. Deriving from the above, there was a need to integrate information of two projects into a uniformly formatted and comprehensive data base. For this purpose KfW contracted the APLR to integrate cadastral information of the LMDP and KfW's land Project. During integration cadastral information prepared by the two Projects was accommodated in uniform database managed by compatible software. A single parcel numbering system was designed. Parcel overlaps and gaps were identified and corrected.

Integration has been a complex and highly technical activity, proceeding in several steps. As a first step, for each sakrebulo using cadastral information prepared within these two projects, unified digital cadastral maps were prepared in accordance with a standard format. Each parcel surveyed by both projects was depicted on these maps, namely on large scale orthophoto maps that depict full cadastral picture, including geographical elements, such as rivers, forests, roads, channels, parcel boundaries, etc; therefore giving a possibility to check parcel location, boundaries and other important details (See Figure 8).

In parallel, for each sakrebulo a database was prepared with information on owners of parcels surveyed by these two projects.

Figure 9: KfW Orthophoto showing APLR Parcel Blocks

Identification and Survey of 'White Spots'. As a result of these activities, exact parcel locations and their owners were identified, as well as 'white spots' that were left out of each project activity area.

During the second step, large scale (1:2000) maps for each sakrebulo were printed that clearly and in detail depicted each surveyed parcel and 'white spot'. The latter have been marked with different borders and color. Cadastral information depicted on maps was verified on-the-spot during field visits and on-site inspection, when parcel location, boundaries and owners were inspected. 'White spots' were surveyed and cadastral information was prepared for them analogous to other parcels surveyed within KfW Project and LMDP.

During the third step, with the consideration of results of on-the-spot inspections, once again digital cadastral information, including maps and database on owners, was processed. Special importance was accorded to surveying of 'white spots'. As a final step, cadastral information for each sakrebulo was consolidated and digital cadastral information (both maps and databases) for an entire raion was prepared.

Accomplishments. Integration activities proceeded in line with cooperative agreements and with established specification, through experience and information sharing. Contracts have

been signed to accomplish information integration for regions of Kakheti, Kartli, Imereti, Guria, Samegrelo, and Samtskhe-Javakheti, covering 699 sakrebulos of 42 raions. At this stage integration of cadastral information has been completed for the regions of Kakheti, Kartli, Imereti, and partly Samegrelo, for a total of 480 sakrebulos in 30 raions. The number of surveyed parcels in 'white spot' areas has reached 180,000.

As a result of these activities, (a) the KfW project will deliver for each sakrebulo full cadastral data on parcel area, its owner, type and etc. in digital format to the National Agency of Public Registry – NAPR (former State Department of Land Management - SDLM). An integrated database will give opportunity to NAPR to effectively implement registration of rights on real estate, as well as it will support local government and self-governance bodies in effective land administration and management, (b) As a result of surveying parcels in 'white spot' areas, the owners of these parcels have been placed in equal conditions with the other owners, as free-of-charge surveys of these properties have been accomplished.

3.4 Activities in Ajara

Background. Prior to 2004, land reform had not been fully or properly carried out in Ajara region due to absence of political will and support. Land had not been distributed in approximately 55 sakrebulos in the region. Therefore a majority of Ajara population did not receive land in private ownership, which is violation of constitutionally guaranteed Principle of Equality. Currently, for Central Government of Georgia as well as for local government. It is an important political issue to carry out land reform in Ajara and transfer land into ownership of rural households. In support of this objective, with initiative of APLR, Georgian Parliament introduced amendment to the law on Agricultural Land Ownership, providing for transfer of reform agricultural land parcels to households residing in Ajara before January 1 2008. In this way the legal basis has been created to regulate land reform process in Ajara.

To implement its projects in Ajara region, APLR has opened its regional office in Batumi.

Land Registration Activities. With the drastic change of political situation in Ajara and following USAID's special request to support land-related activities in the region, APLR has exported its traditional expertise in agricultural land registration to that region with an altered approach.

Unlike in other regions, KfW's land project had succeeded in launching land survey activities in Ajara even before the political situation changed there. Therefore, APLR launched land registration activities based on the cadastral work prepared by KfW, with a proper Memorandum signed by KfW and the APLR. As in the other regions, the registration process has been accompanied by the quality assurance process; however, in Ajara public displays have preceded the registration, which can be regarded as an improved practice.

At the end of the LMDP, APLR has supported the registration of 34,556 agricultural land plots out of an estimated 80,000 in the Ajara region. The pace of registration has been dependent on the land survey accomplishments of KfW, hence limiting the number of registered parcels to that number. Initial registration was accomplished in 13 Sakrebulos of

Khulo raion, 9 Sakrebulos of Shuakhevi raion, 9 Sakrebulos of Keda raion, 6 Sakrebulos of Khelvachauri raion and 2 Sakrebulos of Kobuleti raion, for a total of 39 Sakrebulos with initial registration completed.

Support to Public Registry. With the enactment of the Law on State Registry, Ajara public registry entities have been reorganized. APLR supported National Agency of Public Registry in refurbishment of Batumi, Kobuleti, and Khelvachauri registration offices (out of 5 registration offices in Ajara) resulting in more comfortable working environment and streamlined service for the customers, as well as more efficient data storage and handling. Shelves for keeping archive of documentation, air conditioners were purchased, front office has been redesigned, ceiling and floor repaired and walls repainted, and electricity supply system has been renovated.

3.5 Collaboration with Property Registration Agencies

Cooperation with SDLM. The Land Market Development Project actively cooperated with State Department of Land Management (SDLM) with regard to initial registration of agricultural land, as well as the reorganization of the Department and improvement of registration service.

Figure 10: A Registrar and Client, Consulting Registration Card Files

In addition to providing the SDLM Raion Registrars cadastral maps, Sakrebulo Index Maps, lists of owners and parcels, and bound Registration Cards (see Figure 9), shelves and office equipment, the APLR also organized training sessions for staff of SDLM to raise their awareness of legally defined registration procedures, and to assist in streamlining the registration process.

SDLM has been independent unit of executive government under the President of Georgia. It was vested with wide spectrum of responsibilities that in many cases were contradictory to each other, and there was duplication of functions with other agencies. Resulting from this situation, with the initiative of Department's Management and representatives of partner donor projects, the reorganization of SDLM was placed on agenda.

One of impeding circumstance to effective realization of SDLM's registration functions has been duplication of functions with the Bureau of Technical Inventory. The latter was subordinate to local municipalities and the former Ministry of Urbanization. Therefore parallel registries existed that resulted in duplicating information on real estate between the SDLM and Ministry of Urbanization. That is, information about land was recorded in the Public Registry offices, but information on building construction was recorded in the BTIs. The result was a deleterious situation with regard to the protection of ownership rights and the development of a land market. For several years there was a dispute among these agencies about their functions with the result that information was not being shared or exchanged as it should. Deriving from this situation, Government in 2004 decided that it was time to settle the problems between SDLM and BTI and in general to improve the system of rights' registration and create sound regulative environment for its development.

Prior to the favorable views of the new Government in 2004 about reforming the registration system, SDLM and donor projects, as well as APLR had decided to prepare a concept for reorganization and development of registration system. By September 2003, the group of donors including APLR had prepared a concept with detailed action plan for needed reforms. This concept proposed the reorganization of SDLM into customer-oriented, self-financing organization responsible for registration of rights. The reformed agency would ensure rapid and effective service provision and public access to registration information.

Despite the fact that the concept was prepared, the former Georgian Government was reluctant to make decisions and implement proposed reforms. These reforms became realizable only after the 'Rose Revolution' and change in the Government.

Cooperation with NAPR. With close cooperation of LMDP and new management of SDLM, and as a result of consultations with the Georgian Government, on June 1, 2004, the Law on Public Registry was adopted. Several important achievements resulted from adoption of this law as it provided basis for reorganization of SDLM into the National Agency for Property Registration (NAPR). In accordance with the same law, Bureaus of Technical Inventories were abolished and their archive of information was handed to NAPR. Additionaly, the NAPR was vested with the responsibility to issue information about any

legal suspensions of transactions for particular properties, which formerly has been the responsibility of notaries.

After the SDLM dissolution, its functions were distributed to the different ministries, namely: (a) Registration of rights on land and other real estate became the responsibility of NAPR, which was subordinated to the Ministry of Justice as a legal entity of public law; (b) the Ministry of Agriculture assumed responsibility for determining agricultural land categories and improving soil fertility; (3) the Ministry of Environment Protection was vested with functions of land preservation and quality control.

Presently, the NAPR is becoming a customer oriented organization responsible for real estate registration and easy and rapid provision of real estate related information to the general public. On December 29th 2004 the Georgian Parliament adopted a Law on Fees Established for Service Provided by National Agency of Public Registry. This law provided the NAPR with the opportunity to establish registration fees. Income received from these fees provides for self-sustainability of NAPR. LMDP has played an important role supporting NAPR in the preparation of a draft of this important law.

APLR has played an important role in the formation of the territorial agencies of NAPR in Ajara by providing its recommendations and public information campaigns.

In addition, APLR took active part in staffing of NAPR through testing and examination of candidates, as a result of which NAPR employed qualified personnel. NAPR has good potential for further progress.

3.6 Policy Analysis and Legal Drafting

Legislative drafting has been one of the priority activities of the APLR within the Project. The APLR's efforts in this field aimed at improving existing legislation and establishing a legal environment oriented towards the proper development of real estate markets. The APLR office at the Parliament of Georgia provided steady monitoring of the amendments that were introduced to the existing legislation, and the staff cooperated with the government and Parliament in preparing and implementing new legislative initiatives.

The legal team of the Project actively worked to streamline the legislative basis of land/real estate ownership and use, as well as to raise legal awareness of public. Upon the initiative and with the support of the Association, the Parliament passed important laws, such as:

- Law on Fees Established for Service Provided by National Agency of Public Registry, of December 29, 2004;
- Law "On State Registry", of June 1, 2004;
- Amendment to the Tax Code on abolition of real estate transfer tax;
- Law on Privatization of Agricultural Land in State Ownership.

With involvement of the APLR, the Law on Registration of Rights on Immovable Property was prepared.

The Law on the Privatization of Agricultural Land Remaining in State Ownership was also prepared with the involvement of the APLR. This law aims by means of agricultural land privatization to support its effective use and cultivation. It considers privatization of economically viable land parcels in order to avoid excessive land fragmentation. This law provides for privatization to be executed with involvement of the lowest level of self-governance (the Sakrebulo/community) and local population and recognizes a number of other features that form part of a more sustainable land-use management strategy[9].

In February, 2005 the draft law was assigned to Parliamentary Committees and Factions for their discussion. A majority of MPs supported the draft law at 1st hearing on April 8th. For the purpose of publicizing the bill, with initiative of APLR and Parliamentary Committee on Agrarian Issues, an on-site session of the Committee was held in Kutaisi. Press-conferences were organized for media representatives regularly. On May 20th after the 2nd Hearing of the bill the Parliament voted in favor of the draft law. On July 8th, 2005 the Georgian Parliament adopted the bill. It is referred to as a central legislative act for the development of Georgian agriculture and the economy in general.

3.7 Support to Development of Alternative Dispute Resolution Mechanisms

Background. As a result of land (real estate) privatization in Georgia, a wide spectrum of property owners was created. Cases of property-related disputes among private owners have become frequent. As court legal procedures for handling disputes are time consuming and costly they are not seen as an adequate means for dispute resolution in many cases. In this respect, private arbitration is an effective alternative for settling civil disputes, enabling the disputing parties to rapidly come to an agreement and come up with a clear decision.

Law on Private Arbitration, adopted in 1997 establishes that civil disputes among private persons may be settled through private arbitration. The law provides for two types of arbitration (a) permanent arbitration - operating on a permanent basis and (b) temporary arbitration, created for settling specific disputes.

APLR's Alternative Dispute Resolution (ADR) Activities. Feeling the need from the landowners, especially the holders of smaller properties, the APLR has established a temporary arbitration services aimed to serve the property owners to reach a dispute resolution in a convenient and timely manner.

As a rule, the service fee for private arbitration equals to 1.5% of the total amount in dispute. For socially disadvantaged owners, APLR's ADR service fee is not applied.

[9] See Appendixes I, J, and K for discussions of the issues addressed in the elaboration of the Law on the Privatization of Agricultural Land Remaining in State Ownership.

APLR also provides mediation services, resolving various disputes by means of conciliation with state and private entities. Through arbitration/mediation, APLR has settled 76 disputes involving private owners.

To increase public awareness about public arbitration, relevant information was disseminated through mass media and coverage of the pilot project in the Association's periodical. In April 2003, with funding from the USAID, a World Bank project and DAI, APLR organized a Conference on Private Arbitration in Tbilisi.

In June, 2004, APLR has organized a workshop in Kobuleti. This workshop was financed by the World Bank and was attended by the GEGI project and representatives of acting arbitration law firms and private arbiters and mediators.

In cooperation with World Learning and Commercial Dispute Resolution project, the Association was involved in training of trainers project to instruct arbitration trainers.

With funding of World Learning, APLR cooperated with the organizations and donor-supported projects involved in arbitration issues, to prepare a draft law on Arbitration.

With the support of the Land Market Development Project, the Association implemented a private arbitration pilot project in West Georgia.

The pilot project:

- Offered arbitration services to owners, thereby helping property owners to settle their disputes in a short period of time;
- Increased public awareness about private arbitration;
- Identified obstacles based on this experience;
- Prepared legislative initiatives to improve the Law on Private Arbitration;
- Enabled APLR to develop and use this service as one of the sources for self-financing of the Association.

The demand of property owners and APLR members, customers for dispute resolution services is gradually increasing.

3.7 Public Education

The LMDP has played a significant role in forming public opinion and obtaining support of the general population for economic reform, the reduction of public and private sector corruption, the development of private sector, and the improvement of land administration public entities.

Public education has been carried out with the active cooperation with the mass media. For the purpose of increasing public awareness, pertinent information has been disseminated by means of press-conferences and press-releases to facilitate publication of relevant newspaper articles. Public campaigns have played an important role in crafting the contents of the draft

law on Privatization of Agricultural Land in State Ownership in order to gain wide support for the law. Field seminars and workshops were held both for the mass media and other target groups on different subjects, including land privatization, registration reforms, that had importance for APLR, the Project and the contents of the law.

During the implementation of the agricultural land registration, APLR held over 100 ceremonies of issuance of Land Ownership Certificates, attended by landowners, high-ranking government officials, and representatives of foreign diplomatic corps accredited in Georgia.

To make information on land and real property more available for the population, the Association, with financial support from LMDP, began publication of a monthly newspaper, the 'Landowner' in February 2002. The objective of the "Landowner' was to raise the awareness of Georgian citizens over their rights and to support protection of their interests.

Since the date of its foundation, 'Landowner' provides its readers with the information on land related legislation and ownership rights, problems that landowners may face and ways to resolve them, guidelines on how to transact and register land/real estate.

Prior to and even after the last Governmental reform in Georgia, the general public had negative opinions of private ownership of land. One of the activities of the APLR has been to form positive and realistic public opinion pertaining to land reform and private ownership, as well as assist farmers in resolution of their problems through provision of information on Government and donor supported programs, sharing experience of foreign farmers with regard to increasing economic value of their land. 'Landowner' served as an important tool in support of these objectives.

From the very first issue, information was published about the APLR, initial registration of agricultural land, land cadastre and registration system, review of registration of ownership rights on land, etc. During the course of its existence, 'Landowner' provided its readers with numerous interesting articles. A total of 20 issues of the newspaper were printed and it justly deserved public positive reactions.

Beginning in November 2003, the periodical has appeared in the format of a magazine. It has been distributed throughout Georgia in 2,000 copies.

The magazine 'Landowner' continued in an updated format the publication of information on problems concerning land (real property) ownership, and the changes and improvements achieved as a result of the Association's active involvement in programs for the benefit of the general population.

The Journal serves as a mean for mutual cooperation between APLR and property owners. It also facilitates the exchange of information between the above parties. The last page of Landowner has an APLR free legal service coupon. Using this coupon, a reader can request free legal consultation from the Association, in order to effectively solve his/her problems related with the use of real property.

In June 2004 the newspaper Chemi Mamuli (My Farm) of the Union of Georgian Farmers was incorporated into magazine with information and advice on agricultural activities assisting landowners to manage their farming activities better. In this way two interesting periodicals in one format became available for readers.

Within LMDP, a number of publications was issued covering highly important issues relating definitions of land legislation, land taxes, real property registration, farming production, community-based organizations, etc.

With major financing from Eurasia Foundation and USAID co-funding, APLR issued Reference Book for Farmers to provide public education related to real estate ownership, agricultural activity, land taxation, land/real estate registration, agricultural crediting. This manual contains information on different aspects of farming: land taxes, access to credits, legal transportation of products, sample contract how to sell, purchase, lease or mortgage land parcels, as well as contact information of financial, state, non-governmental, donor organizations that may be helpful in planning their business activities. The manual is being distributed free of charge. Feedback from donors, experts and manual's direct consumers – peasants and farmers on the usefulness of the manual is very positive.

Within the International Land Coalition funded project on Endowment for Community Mobilization Initiatives in Western Georgia, APLR published a Manual for CBOs containing information which is significant and interesting for CBOs, namely information about legislative issues related to ownership and use of land, both agricultural and non-agricultural, as well as common use land; principles of CBO management and development, fundraising activities; taxation regulation; alternative dispute resolution services. Copies of CBO Manual have been distributed *gratis* to the NGOs, CBOs, international organizations and all other parties interested in CBO development, land related and arbitration issues. In addition, the Manual was translated into English and published on APLR website.

With the Project's financial support, APLR developed its own web-page providing information about APLR activities and different services the Association offered. During the course of web-page's operation, it has been redesigned and improved, as well as promoted by web-advertising and banner-exchange programs. The website is being updated on a regular basis.

3.8 Legal Consulting

The APLR has been providing legal services to property owners since its foundation. Legal Service Departments are functioning in each of the regional offices of the APLR, assisting landowners in resolving their concerns.

The legal services provided by APLR cover land (real estate) issues – from verbal legal consultation (which are usually free-of-charge), to protecting landowners' interests in Court. For the latter, the Association's Board of Directors has established fees, which are discounted

for APLR members. APLR's legal titling service, being one of the most popular services among customers, is utilized by many individuals and legal entities.

In April 2003 APLR developed software that records the clients, types of services provided and fees charged. The software allowed accurate record-keeping of APLR clientele and funds generated from the legal service. Since the software has been launched in April, through the Project completion, a total of 1,299 clients have been assisted in APLR's central and regional offices.

The Legal Service Department of the Tbilisi head office and regional offices provide legal consulting to citizens through answering their questions in APLR monthly magazine "Landowner". Additionally, they provide free-of-charge consultations to persons who lodge grievances at an APLR office for their further resolution by Baku-Tbilisi-Ceyhan Pipeline Company.

4. APLR Organizational Development

APLR is becoming an efficient and effective NGO[10]. It has already demonstrated strong project management and financial management capabilities. The above discussion shows how the APLR has managed complicated projects activities supported with funds from USAID through Terra for the initial registration of over 1.4 million agricultural land parcels, followed by initial registration of nearly 35,000 properties in Ajara and the initial registration of parcels in the "white spots" in cooperation with KfW, an effective involvement with the creation of a new National Property Registration Agency, the development of new policies and legislation pertaining to land rights and registration, the offering of alternative dispute resolution services and other legal assistance to the new property owners, and the mounting of an effective public education program pertaining to the rights and responsibilities of land ownership.

4.1 APLR Management Evolution

In organizational terms, the APLR has:

- --established a financial management capacity, by creating a financial department with well trained staff, supported by accounting and financial advice from a local accounting/audit firm.

- --defined an administrative structure, hired and trained staff, for the implementation of its projects;

- --prepared administrative procedures manual and a financial procedures manual for guiding the ways decisions are made for the implementing projects and for assuring the internal controls on financial operations according to generally accepted standards;

[10] See Appendix L for an interim report in 2002 about the evolution of the APLR.

- --prepared and approved an amended charter for the present and future development of the Association.

- --since 2000 to 2004 held 5 full membership meetings to adopt the amended charter and select a new Board.

- --incorporated 429 members of the Association from various raions and representing various professions, having had their last membership meeting in November 12 2005. At present membership payment for legal persons is 3GEL and for private persons 1 GEL.

Other achievements include:

- The seven member Board determines the general overall direction of the association

- APLR has yearly financial audits in accordance with US Government Auditing Standards issued by the Comptroller General of the United States since 2001. Independent auditor's reports for the fiscal years 2001, 2002, 2003 and 2004 show auditor's unqualified opinion.

  Audit of fiscal year 2001 was conducted by audit firm Deloitte & Touche Tohmatsu. There was observation in regards to Fund accountability statement, internal control and compliance. Particularly, non-compliance was noted with USAID regulations concerning mileage reporting, mobile phone expenses, proper recording of time and written policies and procedures. Despite the questioned cost, auditor's opinion was unqualified. The questioned costs were reimbursed to USAID. All audit recommendations had been taken in consideration and improved.

  Audit findings of 2002, conducted by audit firm UBC International, can be summarized as follows: salary rates, fixed assets physical inventory, surprise cash count, unfilled expense vouchers, non-compliance with USAID regulation in office refreshment and financial management software. Questioned cost as per auditor's opinion was cost of financial software, which had not been used. During the past two years the software has been central to the financial management of the Association.

  UBC International audited financial statement of the fiscal year 2003 and 2004. Some previous audit findings were stated in 2003 again, particularly, physical inventory of property and equipment, surprise cash count, voucher authorization. An observation was made about control over transactions. These problems have been minimized in 2004. Management took serious steps for organizational development: the independent audit firm Baker Tilly Georgia Ltd was invited to perform full inventory of APLR property and equipment. Under the performed project, Terra Institute, Ltd in 2004 signed an agreement with 'Alexandre' LLC, independent audit and consulting company. According to the agreement 'Alexandre' LLC provides accounting services to the Association (bookkeeping, preparation of reports for tax authorities, input

records in software 'ORIS' from the Association's source documents and reconciliation, tax consultation).

In June 2005 the Georgian Audit and Consulting Company performed pre-award survey of APLR. The purpose of the survey was to determine whether the Association's accounting system, management controls, and policies were adequate to manage and account for USAID grant funds. The survey was conducted in accordance with the Statements on Standards for Attestation Engagements (SSAEs) issued by the American Institute of Certified Public Accountants (AICPA). GACC determined that the Association management accounting system can provide reasonable assurance they can account and manage USAID funds.

- A modern IT has also been installed and mastered by APLR technical staff to manage ownership and parcel map information in digital form, including scanning, digitizing, plotting and GIS software. An agreement has been put into place between the APLR and the KfW cadaster and registration project to integrate the data bases of the two projects in those raions where both have conducted cadaster and registration work, using orthophotography produced by the KfW project. All of the above significantly increases the effect of cadastral and registration work conducted by the APLR itself, and the improved accuracy of such work[11].

- The Association has strengthened even its contact with local population and owners. It has regional offices functioning in Kutaisi, Gurjaani, Akhaltsikhe, Batumi, and Tetritskaro. Offices in Gori and Ozurgeti were closed down after certain period of operation, while Telavi office was substituted by Gurjaani office.

- The Board of Directors of the Association approved the labor policy of the Association as well as financial and administrative manuals, provisions of which are in compliance with international standards. These manuals clearly describe the rights and job description of each employee as well as the financial and administrative management of the organization. See Appendix B for the Board approved administrative regulations.

- For the purpose of improving the skills of employees, training courses and seminars are held for employees systematically in Georgia as well as abroad.

- The Association also created a Project Development Department, which focuses on the further development of the Association and its cooperation with different donor organizations and projects, international NGOs and foundations.

- The APLR is well on the road to becoming an efficient and effective NGO. It has demonstrated strong project management and financial management capabilities[12].

[11] See Appendix C for a listing of the significant and extensive data bases developed and maintained by the APLR.
[12] See Appendix B for the administrative regulations developed by the APLR.

APLR staff have participated in project management and financial management training programs. A modern computerized accounting program has been installed and effectively used to provide project management with monthly reports and with reconciliation of funds received from Terra as well as from other clients and donors.

- APLR staff have received training in a variety of project management activities and techniques, including:

  - program strategy development, and the articulation of long-term goals and objectives;
  - activity definition, and definition of achievable short-term targets and indicators;
  - impact monitoring, evaluation and reporting methods;
  - staff management methods, including effective delegation of responsibility to and supervision of junior staff;
  - personal time management.

A trained facilitator from the CTC organized a series of practical workshops for APLR staff.

- English language training.

Many APLR staff have some knowledge of the English language, and some are quite fluent. However, given the widespread use of English in the international arena, many APLR staff have benefited from additional English language training. Two English language training courses for APLR staff, one for beginners and the second for intermediate level students have been offered. These courses met two or three times per week at the APLR office, and were led by qualified ESL trainers. Proficiency testing has been done.

- Conference Attendance:

APLR staff are encouraged to participate actively in international conferences and workshops when there is a clear relationship to their current or potential future role with APLR, and when funding allows. Participants must agree to prepare a written paper for presentation to the conference or workshop, and must also agree to give a presentation to the APLR staff following their return.

Very important contributors to building of the APLR's financial management capabilities have been the yearly audits and the pre-audit exercises which assisted in identifying problems and their timely correction.

4.2 Multiple Project Management

An important indicator of the organizational development of the APLR is what the APLR has accomplished over the five years of the Cooperative Agreement. Those accomplishments are described above. But the APLR has not limited itself to these very impressive LMDP sponsored undertakings.

APLR has become a steadily growing organization. It has implemented several other projects in support of its objectives and extended its cooperation with different donor projects and international organizations. Below is a review of APLR implemented projects/activities for past four years.

Integration of LMDP and KfW Cadastral Data, June 2004 – November 2005. APLR contracted with KfW Land Management and Registration Project to integrate cadastral information prepared by these two mentioned projects and to eliminate so called 'white spots', areas, which had not been surveyed by either project. During integration cadastral information prepared by the two Projects is accommodated in uniform database, software and numbering system; parcel overlaps and gaps are identified and corrected. To date integration has been achieved for 480 sakrebulos in regions of Kakheti, Kartli, Imereti and partly Samegrelo. Total 180 181 parcels – 'white spots' have been surveyed.

Endowment for Community Mobilization Initiatives in Western Georgia**,** September 2003 – January 2005. With major financial support of International Land Coalition, APLR assisted rural population of five villages of Imereti region in formation of CBOs. Through training they were provided with skills and knowledge in land related legislation, arbitration, real estate taxation, and CBO development. CBO manual has been published as a working document for future actions. Cadastral plans of target villages were prepared and provided for representatives of CBOs and local self-governance. Arbitration services have been established in project affected communities; Pasture land in two highland villages has been registered under local community ownership; Micro projects meeting most basic needs of communities have been implemented.

Land Policy Dialogue Project, South Caucasus Region - May 2002- June 2003. With financial assistance of Eurasia Foundation, South Caucasus Cooperation Program and co-funding from BP, World Bank, FAO, on 24-26 February 2003, South Caucasus Regional Land Policy Conference was held in Tbilisi. It provided an excellent opportunity to compare recent experiences in the three South Caucasus countries, as a base for discussing broad policy issues as well as specific program opportunities, and thus advance the land-related policy agenda in the region. Country papers/Action Plans, as well as papers of experts from each partner organization were assembled into Final Conference Proceedings (CD format), and widely disseminated in three countries. They were also made available through the internet.

Elaboration of Reference Book for Farmers**,** February 2002 – February 2003. Eurasia Foundation supported elaboration, publication and distribution of the Reference Book for farmers. Te Reference Book contains information on different aspects of farming: land taxes, access to credits, legal transportation of products, sample contract how to sell, purchase, lease or mortgage land parcels, that will help farmers to adequately process and regulate commercial relations. The manual also provides contact information about financial, state, non-governmental, donor organizations that may be helpful in planning business activities of farmers.

Registration of Ownership Rights in Gori Raion, September 2001 – December 2003. United Nations Development Program financed survey and registration of approximately 135,000

land parcels and issuance of registration certificates. The prepared cadastral and registration information has been transferred to SDLM office in Gori.

APLR has a continuing agreement with Baku-Tbilisi-Ceyhan Pipeline Company – Georgia (BTC Co) on Land Use, Hand Back and Acquisition of Additional Rights Assistance Services for the AGT Pipeline in Georgia (May 6 – December 31, 2005). The project is active in: Gardabani, c. Rustavi, Marneuli, Tetritskaro, Tsalka, Borjomi, Akhaltsikhe, and Adigeni. Within the project APLR (i) provides Land Use, Handback and Acquisition of Additional Rights Assistance Services for the AGT Pipeline; (ii) provides Land Registration Assistance Services for the AGT Pipeline for outstanding 250 land parcels; (iii) Establishes, manages and coordinates grievance mechanism for the BTC/SCP projects over the construction period of the Pipelines.

Provision of Field Verification of Land Compensation by SPJV Construction Contractor**,** June 1 – December 31, 2005. The project is financed by BP Exploration Ltd. and is aimed at increasing the publicity for the relevant RAP procedures, providing field verification checks for compensation payments paid for by the SPJV construction contractor to affected land users along the BTC/SCP construction corridor, as well as auditing grievance closure procedures made by the SPJV construction contractor.

APLR has implemented three projects with financing from BTC Co.

Provision of Grievance Monitoring for BTC/SCP Pipeline Projects, August 25, 2003 – May 5, 2005. Within the Project, APLR carried out village-level meetings on grievance monitoring issues with BTC/SCP Project-affected landowners. Grievance post-boxes have been installed in affected villages and claims collected on weekly basis. APLR has opened Tetritskaro Regional Office to deal with local landowners and provide consultations to interested parties. Special computer software has been developed to collect and monitor the process of grievance resolution. By the end of the project term, more than 2000 grievances have been lodged in APLR database through various information channels such as hotline, APLR community liaison teams, APLR Tbilisi Office, direct application submission from landowners, BTC community liaison teams, etc. Up to 1500 grievances have been resolved with active participation of APLR. APLR identified 128 absentee private landowners from whom 70 received compensation payments.

APLR achieved subdivision and registration of over 500 private land parcels purchased by BTC Co. Additionally, 9 village community based organizations, with APLR assistance, successfully transacted with BTC Pipeline Company and received compensation payments for pipeline construction affected common use pastures and hayfields. APLR completed subdivision and registration of over 30 common use land parcels purchased by BTC Pipeline Company.

Another project - Support to High Mountain Village Communities and CBOs in the Distribution of Compensation (April 1 – September 30, 2004) aimed at increasing BTC Pipeline Company assurance that the decisions of the Community Based Organizations were representative of the community as a whole through increasing the transparency of the process

of distribution of compensation funds and monitoring the distribution of spending money. In order to provide fair distribution of compensation funds available for BTC project affected common use land, the BTC Pipeline Company based on APLR consultations has established certain requirements that village CBOs had to meet in order to become eligible for compensation. Atotal of 35 high-mountain village communities were eligible for compensation payments on common use land paid for by the BTC Pipeline Company. Payments to the villages went through the process, which entailed arrangement of village meetings, public display of compensation distribution list in the villages and submission of "spending statements" by village CBOs detailing the rationale behind distribution of money. APLR implemented monitoring activities for CBOs that have already received compensation.

Outreach and Education/Land Registration Assistance Services for the AGT Pipeline in Georgia**,** September 2002 – December 2003. The project goal was to provide technical and consultative assistance to private landowners, high-mountain village community-based-organizations and BTC Co. in the land acquisition processes and facilitate subdivision of BTC affected land parcels with the State Department of Land Management. Project activity area encompassed Gardabani, c. Rustavi, Marneuli, Tetritskaro, Tsalka, Borjomi, Akhaltsikhe, and Adigeni.

APLR's very first agreement with BP Exploration Ltd. has been titled as Consultancy Services/Land Acquisition, Outreach and Education **(**April 19 – September 15, 2002)**.** The project aimed at achieving the following objectives: Providing overall Baku-Tbilisi-Ceyhan and South Caucasus Pipeline Project description to parties involved; Informing BTC/SCP affected local population on the compensation/acquisition process and schedule; Disclosing information on the principles and methodology of calculating property damage compensation and land values; Discussing the procedures of land acquisition (rights and responsibilities); Disclosing what restrictions will be placed on temporary and permanent land use; Soliciting feedback on all of the above processes.

APLR established working relations with American non-profit organization Urban Institute, which is implementing in Georgia USAID funded project 'Communities Empowered for Local Decision-making' (CELD). APLR received sub-grant from UI and participated in one-week intensive presentation/review of CELD's approach and draft manual for Community-Based Economic Development in Georgia. Therefore, based on the knowledge received during the Seminar and personal expertise of project members, APLR prepared written recommendations on revisions to the CBED draft manual and presented at one-day meeting for UI review and consideration.

The APLR continues to provide significant contributions to the establishment of land owners' rights and land privatization in Georgia. It has built a series of programs, products and services which should allow it to grow a member-based association. These include: A magazine, an arbitration service, legal advice and brochures on a series of important legal and regulatory issues affecting farmers and land owners. In addition, they have a region-wide network set up throughout Georgia which "touches" members on a regular basis. In addition, APLR has been recipient of a number of grants to provide services to donors and corporations, such as the Eurasia Foundation, UNDP, the International Land Coalition, and

BP, in addition to its work in support of USAID. It enjoys an excellent reputation both in the Parliament and in society in general. It continues to seek ways outside of the donor community to generate additional incomes to reach true self-sustainability.

APLR in 2003 concluded a restructuring of its board of directors and its membership, and prepared a new Charter. Instead of five directors that were employees of APLR, providing services to donors to complete various projects, the APLR now has seven "outside" directors that constitute some of the major important environmental and land issue groups in Georgia. In addition, they have agreed to collect modest dues (up to 3 lari per member) to build a member-based organization. Some of this is modeled after the Farm Bureau in the USA, assisted by a visit by the APLR executive director, Jaba Ebanoidze to the Farm Bureau in Madison, Wisconsin to examine how they were structured and organized.

The constituents for APLR continue to be: The farming community, urban land users, developers (entrepreneurs) and other grantor organizations interested in continued land reform. As of July 31, 2005, the APLR has a membership of 429, up from only 69 in early 2003.

To continue to build a member-based organization, the APLR needs to continue to generate both leadership in the regions that can contribute to the grassroots organization's governance, as well as continued programs, products and services to be delivered there.

APLR is also seeking ways in which to provide additional ongoing services that would allow it added streams of incomes. These include the formation of a credit bureau, the enhancement and speeding of recorded information from the registrars, as well as, the harvesting and the sale of information on land parcels, future sales, and trends in the real estate industry in Georgia. These activities should only be pursued if they genuinely enhance the market and can be done on a cost/plus recovery basis.

Forming the grassroots organization has been somewhat difficult for APLR because of the substantial concentration on the projects for various grantors. The APLR has been so caught up in registering land parcels that not many of their staff found interest in, nor time available to recruit, train and identify leadership on the grassroots level. In the big picture, while grantors' income may be a source of funding for the intermediate future, the long-term viability of APLR will be in the formation of a solid grassroots organization that can meet its longer-term objectives of meeting the needs of its members.

4.3 Terra Institute's Role

Terra Institute provided advance funding to the APLR for carrying out periodically defined work plans. The APLR provided Terra with monthly financial reports on the use of the advanced funds. Jointly Terra and the APLR provided USAID with quarterly reports on project achievements, based on previously defined targets and time lines.

Terra also provided assistance to the APLR in its organizational development by providing a resident advisor for four years who acted in support of developing an APLR administrative

structure, and as an effective liaison between the APLR and other USAID projects, USAID personnel, and other donor supported land administration projects. Terra also provided short term technical assistance to the APLR on:

- The development of a quality assurance program,
- The concept of an improved real property registration system,
- The options for privatizing agricultural land still in state ownership with assistance from the Rural Development Institute and Terra specialists,
- The options for the attraction of new members through offering new services which can be income generating for the members and for the APLR, including agricultural technical and market services to the new owners of agricultural land from Terra,
- Option for the generation of income from the data bases which the APLR has helped to develop concerning land ownership, with assistance provided by International Land Systems.
- Assistance for the initial structuring of the APLR, provided by Terra and Stewart Information International.
- Assistance for developing a strategic plan for the APLR, provided by specialists from the International Real Property Foundation and by the local firm, CTC.
- Financial management improvement. This assistance involved accounting and legal advisory services procured from local firms, as well as one international financial management consultancy and continuous support from Terra's home office financial management staff.

5. SRO Development

The original idea of the LMDP was for land market professional associations, which group key professionals, such as cadastral surveyors, notaries, brokers, auctioneers, and appraisers, to be strengthened where they already exist (as is the case with brokers, appraisers and notaries, at least on paper for the former two groups), or created where they do not exist and where there is sufficient interest and justification (surveyors and auctioneers). In addition, the creation of an association of Registrars would also be encouraged, although the public employment status of such persons will require special attention to avoid any conflict with public employment laws and practices.

These associations are referred to in the LMDP as Self Regulating Organizations, which means that the professional members of the various associations will regulate the professional activities of their own members. By the term "regulate" is meant develop a professional code of ethics, establish requirements for being a recognized professional, monitor the quality of the work done within the profession, improve the exercise of the professional duties through training programs.

The original concept was for there to be a coalition of these professional associations and the APLR in an umbrella SRO[13], which would coordinate policy and professional development to ensure the further development of a viable land market in Georgia. This umbrella SRO would allow a synergistic relationship among the various associations to develop, such that the professional associations would benefit from APLR lobbying, legal/policy advice and public education support. Similarly, APLR would benefit from the financial assistance the professional associations will render to it. This unified network approach was based partly on the assumption that the size of the Georgian economy does not support the emergence and sustainability of several independent land market related SROs.

As the LMDP developed, it became clear that there should be a two path SRO development strategy, with one path being the strengthening of the APLR and the second path being the strengthening of land market professional associations, particularly a brokers' association (GREA) and a valuers' association (GFPAV). The assistance of the International Real Property Foundation (IRPF) was important for these activities.

Upon the initiative of the APLR a coalition was formed composed of the APLR, GREA and GFPAV for lobbying for legislation pertaining to the formation and competencies of SROs, and pertaining to international programs, which affect the operations of the land markets. This coalition was the closest that the LMDP was able to come to for formation of an umbrella SRO, comprised of the APLR and all land market related professional groups.

An assessment was conducted in November, 2003 by the IRPF about the potential of SRO development, by contacting land development companies, larger brokerage firms, medium sized and small companies as well as the boards of directors of APLR (discussed above), GFPAV (Georgian Federation of Professional Asset Valuers - an important association of valuers of properties) and the leadership of Georgian Real Estate Association, GREA (an association of real estate brokers). Following are the major observations of the assessment of professionals engaged in some way with the land and real estate markets:

5.1 Realtors

The real estate community still is rather small but seems to be growing both in sophistication and a willingness to cooperate. There are now emerging five or six larger, more dominant companies in the marketplace that GREA has attracted to their membership.

With the assistance of the IRPF, Terra and the APLR, GREA has, after being in existence for four years, developed a rational code of ethics, code enforcement system, ran a series of training programs and hosted an annual conference attended by key leaders in both the government and business sector of Georgia. It now has a viable board of directors, committee structure, excellent executive officer and prime leadership to carry it forward.

IRPF has provided substantial reorganization and association education to GREA which is leading it towards becoming a self-sustaining, more viable organization. There still is a need

[13] See Appendix M for a discussion of the "umbrella" concept.

for the GREA to develop its own "certification" program and provide its own trainers of the courses in that program to bring sufficient value-added benefits to grow its membership. As the practitioners turn over in the marketplace, those that are new will need these required certification courses to become professionally proficient. They will also need the development of an MLS system which will bring transparency and efficiency into their marketplace and allow them to increase their market share and therefore, their income. The MLS should also provide the association with a stream of additional capital to allow it to reach a higher degree of self-sustainability.

5.2 Valuers

The appraisal community remains very limited because the central government has not passed a law which defines both appraisal and sets up a licensing certification mechanism. There still are very few appraisals being ordered in Georgia and, therefore, while the numbers of identified potential appraisers have increased (to almost double the number in 2001) the actual number of practitioners that are making a viable living remains extremely small.

With the assistance of the IRPF, Terra and the APLR, the Georgian Federation of Professional Asset Valuers (GFPAV) has now become more "operational." They have put in place their code of ethics, written a business plan which they have attempted to follow (but was frustrated when they did not receive the Eurasia grant to give them administrative support), has collected dues from 51 members and has 120 additional applicants in hand. They have translated into Georgian the first and most important text in the market and will publish the International Valuers Standards Committee's 2002 IVC Standards. What needs to be done is that they should merge themselves with the Academy to get sufficient numbers to work together to pass the law in the legislature. Currently, everyone waits for the law to be passed but does nothing about it. A concerted advocating activity needs to be entered into to get this law passed. Once passed, the combined Academy/Federation stands a much greater chance of self-sustainability. If it does not get the Appraisal Law passed, they will remain extremely thin and a shell of an organization.

5.3 Property Developers

This is too small a group at present to consider for a separate association development, but they can be incorporated into the realtor's association if there is sufficient interest in the future.

5.4 Property Managers

This is too small a group at present to consider for a separate association development, but they can be incorporated into the realtor's association if there is sufficient interest in the future.

5.5 Auctioneers

Due to the small number of these professionals, and their specialized functions, there will be no capacity for developing a separate association.

5.6 Notaries

The Notaries have a strong association.

5.7 Land Surveyors

Interest among the surveyors in forming an association has been low. The topic continues to be discussed and some progress is possible in the future

5.8 Registrars

Since registrars presently are employees of the NAPR, their common interest in improving their professional competence and image is conditioned by that employment. If there are future moves to make the individual Public Registries more independent, the organization of an association of registrars would become of more perceived importance.

5.9 Conclusions about the SRO Activities

While much work has been done to bring the three organizations to self-sustainability, APLR stands the best chance of getting there the fastest. They have good programs, products and services, have restructured themselves, have solid leadership and, with concerted effort to build a grassroots organization, should remain strong and viable. They should be an advocate into the future for solid land reform in Georgia. The GREA now looks and acts more like a self-sustaining association that would be comparable to many within the region. They still need to develop their own training certification program and the development of an MLS would bring this organization to self-sustainability. The appraisers, while making lesser progress has been fettered by the lack of a defined profession and a very limited market. Presuming that the bill passes, they are well-positioned to reach self-sustainability at the passage of the law.

6. Land Markets

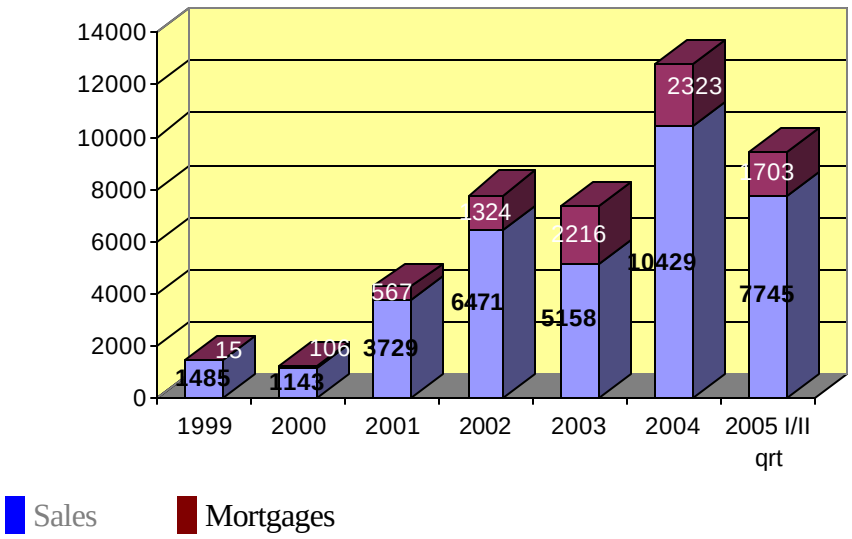
The overall goal of the revised Cooperative Agreement was the development of land markets through the five main activities and sub-activities described above. The official statistics about land market transactions show the following evolution of land markets since 1999.

Agricultural land markets are the primary target of the revised C.A., with its emphasis on the initial registration of 2.4 million agricultural land parcels. Table 3 shows the sale and mortgage transactions of agricultural land since 1999.

Table 3: Sale and mortgage transactions involving agricultural land

Type of Transaction	1999	2000	2001	2002	2003	2004*	2005 I/II quarters
Sales	1485	1143	3729	6471	5158	10429	7745
Mortgages	15	106	567	1324	2216	2323	1703
TOTAL	**1500**	**1249**	**4296**	**7795**	**7374**	**12752**	**9448**
% growth against previous year	Baseline	-17%	244%	81%	-5%	72%	-

Figure 3: Sales and Mortgages of agricultural land



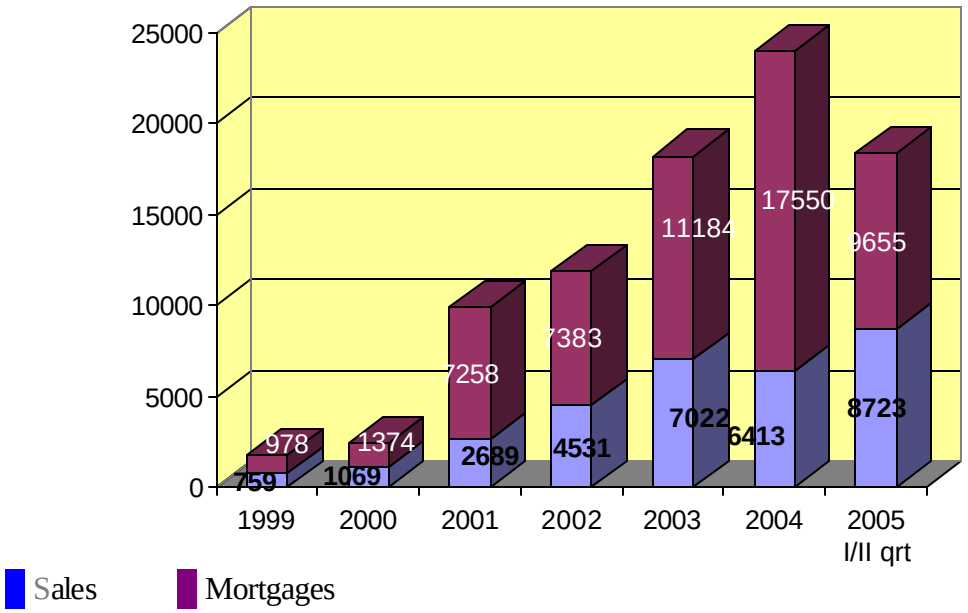
Land markets are more active in the urban area. The land market most active is in Tbilisi where the country's economic activity is concentrated. The transactions' growth trend on the nonagricultural land market is given in Table 4 and Figure 2.

* Statistics for the years of 2004 and 2005 are approximate due to lack of exact statistics during the reorganization period at the NAPR

Table 4: Sales and Mortgages of Non-Agricultural Land

Type of Transaction	1999	2000	2001	2002	2003	2004*	2005 I/II quarters
Sales	759	1069	2689	4531	7022	6413	8723
Mortgages	978	1374	7258	7383	11184	17550	9655
TOTAL	**1737**	**2443**	**9947**	**11914**	**18206**	**23963**	**18378**
% growth against previous year	Baseline	41%	307%	20%	53%	31%	-

Figure 4: Sale and Mortgage Transactions on Non-Agricultural Land



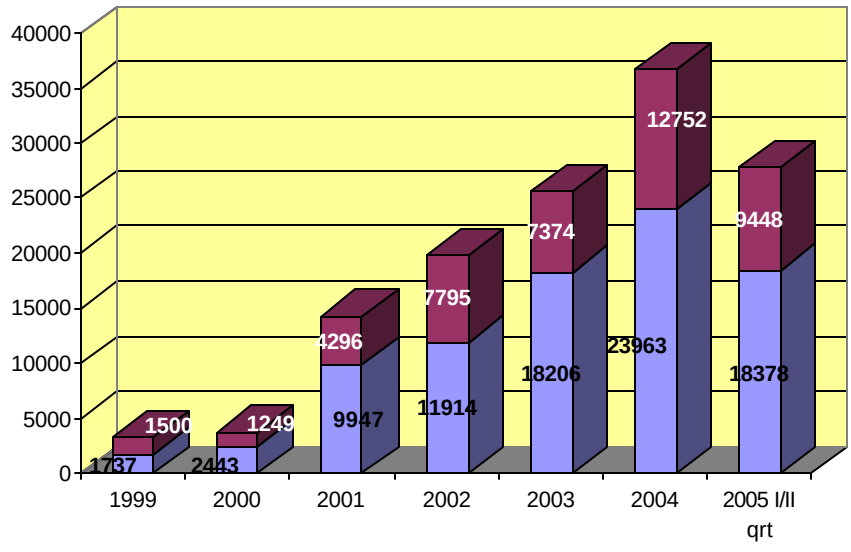
The number of sales and mortgages increases each year, with mortgages only slightly lagging behind the number of sale of urban real estate. (see Table 4 and Figure 2).

* Statistics for the years of 2004 and 2005 are approximate

Table 5: Number of Sales and Mortgages—Ag and Non-Ag Land

Number of Transactions	1999	2000	2001	2002	2003	2004*	2005 I/II quarters
Agricultural land	1500	1249	4296	7795	7374	12752	9448
Nonagricultural land	1737	2443	9947	11914	18206	23963	18378
TOTAL	**3237**	**3692**	**14243**	**19709**	**25580**	**36715**	**27826**
% growth against previous year	Baseline	14%	286%	39%	30%	43%	-

Figure 5: Sale and Mortgage Transactions on Agricultural and Nonagricultural Lands



Sale and Mortgage transactions on agricultural land
Sale and Mortgage transactions on nonagricultural land

The land market has started to function. In the year 2003, there were a total 12.180 sales registered, and 13,400 mortgages.

* Statistics for the years of 2004 and 2005 are approximate

Table 6: Sales and Mortgages in 2003

	Sales	Mortgages	Total
Agricultural Land	5,158	2,216	7,374
Non-Ag Land	7,022	11,184	18,206
TOTAL	12,180	13,400	25,580

By the end of 2003, there were approximately 2 million registered agricultural land parcels, whose owners had ownership certificates in their hands. The 5,158 registered ag land sales in 2003 represented less than 0.3% of all registered ag land parcels, however, so the measures taken to date to stimulate the agricultural land market have not been very effective. The mortgage transactions involving agricultural land have also been limited (2,216 in 2003). The lack of available financing may be a factor in the agricultural sector for the lower proportion of mortgages using agricultural land. The larger number of registered mortgages involving non-agricultural land than sales of such land is an interesting statistic.

But in both sales and mortgages, the information we have comes from the Public Registries only. We do not know the number of sales or mortgages which occur but are not registered. However, even there are substantial such transactions, they are probably not the product of the initial registration investments. While the Cooperative Agreement objectives have largely been met and even exceeded their targets, the overall goal of a more active land market has not yet been achieved. Nonetheless there is a gradually but consistently growing market for both sales and mortgages. People who have just acquired ownership rights to land after a long struggle to get such rights to provide for their families are not likely to dispose of such an important asset easily or rapidly. It remains to be seen whether in future years, the number of registered transactions increases, and for what types of agricultural land parcels.

The non-agricultural land transactions include many types of properties. Estimating that there are 4.9 million people in Georgia, there are approximately 800,000 housing units in the country. Most of these housing units had been registered in the Bureau of Technical Inventory, but none had been initially registered in the new Registration Offices. So, any transactions involving these properties required special initial registration procedures. If all of the non-ag property sales in 2003 involved housing units, the 7,022 sales would represent just 0.9% of all such properties. Clearly the urban land market is only just beginning also. But it is beginning[14].

[14] See Appendix N for more details concerning urban and rural land markets.

7. Summary of targets and timelines

SUMMARY TIMELINE: TARGETS AND ACHIEVEMENTS
April 20, 2001 through June 16, 2003

Terra Institute, Ltd. (T) and APLR (A) Targets for Georgia Land Market Development Project
&
TARGETS ACHIEVED

Month	Task	Description
1-APR/MAY01	2.1T 2.2T 2.3T	**Sub-Agreement with Terra Institute in place (MONTH 1)** **Open Bank accounts for APLR (MONTH 1)** **Define procedures for reporting on monthly expenditures and account reconciliation for APLR (MONTH 1)**
2-JUN01	1.4A 2.4T	**Identification of professional personnel for new rayons (MONTH 3)** **Financial Advisors in place (MONTH 1)**
3-JUL01	1.5A 3.1T 3.2T	**Training of professional personnel completed (MONTH 4)** **Confirmation of APLR organizational structure (MONTH 5)** **NGO/SRO Development Advisor Report on status of the APLR (MONTH 3)**
4-AUG01		
5-SEP01	6.1T	**Completion of in depth assessment of Georgian real property and appraisal industry (to establish baseline indicators)[1] (MONTH 5)**
6-OCT01	3.1A 4.1A 4.2aA 5.1T 6.2T	**Delivery of Analytical Report on needed legislation, regulations and other legal needs (draft legislation, regulations and other legal instruments as needed) (MONTH 8) [15]** **Delivery of material for bulletins, four (4) television programs [16,17] (MONTH 8)** **Completion of at least ten (10) public meetings (MONTH 7)** **Finalization of Development of SRO umbrella strategy report (MONTH 9)** **Post-assessment report with recommendations for program activity[18,19] (MONTH 6)**
7-NOV01		
8-DEC01	1.1A 1.1T	**500,000 parcels registered (MONTH 8)** **APLR accountant prepares accounting report independently (MONTH 5)**
9-JAN02	3.3T 3.4T	**Finalization of Training plan for professional development of APLR Staff [20,21] (MONTH 8)** **Finalization of Strategic plan for APLR organizational development[22] (MONTH 8)**
10-FEB02	1.2T	**Completion of APLR Operations Manual (MONTH 10)[23]**
11-MAR02		
12-APR02	4.2bA 1.3T	**Completion of at least ten (10) public meetings (MONTH 11)** **Completion of administrative procedures audit (MONTH 2)**

[1] Target moved from Month 4/Work Program 2 Approved by USAID 29JUN01
[15] Finalization of report was delayed as a result of the parliamentary and governmental conditions.
[16] Based on consensus that TV impact is greater than radio, four (4) TV programs rather than two (2) will be produced. All radio programs (2) will be eliminated. Approved by USAID 5OCT01
[17] Program #1 was produced and broadcast on national television in December, 2001
[18] Target moved from Month 4/Work Program 2 Approved by USAID 29JUN01
[19] Delivery of 6.2 delayed by WTC disaster Approved by USAID 5OCT01.
[20] Target moved from Month 5/Work Program 2 Approved by USAID 5OCT01
[21] Target moved from Month 7/Work Program 3 Approved by USAID 12NOV01.
[22] Target moved from Month 7/Work Program 3 Approved by USAID 12NOV01.
[23] Financial Procedures Manual and the Employment Policy Document were adopted by the APLR Board in March 2002

	4.1T 5.2T 6.3T 6.4T	**Report of activities on Land Privatization, Legal Reform and Land Market Development Support (MONTH 13)** **Status Report on Association Development [24] (MONTH 12)** **Completion of Development of Business Plans by Assisted Associations [25] (MONTH 12)** **Completion of the Development of Management Training Plans for Assisted Associations [26] (MONTH 12)**
13-MAY02		
14-JUN02	2.1A	**Increase in secondary transactions by 20% (MONTH 12)**
15-JUL02	1.2A 6.5T	**1,000,000 parcels registered[27] (MONTH 16)** **Preparation of Charter Documents and Initiation of Registration Procedures for Assisted Associations [28], [29] (MONTH 16)**
16-AUG02		
17-SEP02		
18-OCT02	4.2cA 5.3T 6.6T 6.6T	**Completion of at least ten (10) public meetings (MONTH 14)** **Completion of Registration Procedures for Assisted Associations [30], 16 (MONTH 16)** **Development of Targeted Training Curriculum and Trainers Relevant to each Assisted Association [31]** Delivery of Targeted Training Curriculum and Trainers Relevant to each Assisted Association[32]
19-NOV02		
20-DEC02	5.4T	**Dues and Fees Collected from Membership of Assisted Associations [33]**
21-JAN03		
22-FEB03		
23-MAR03		
24-APR03	1.3A 2.2A 4.2dA 4.2T 5.5T 6.7T	**1,400,000 parcels registered** **Increase in secondary transactions by 40% (MONTH 21)** **Completion of at least ten (10) public meetings (MONTH 23)** **Report of activities on Land Privatization, Legal Reform and Land Market Development Support (MONTH 26)** **Final Report on Establishment of Assisted Associations, with Recommendations for Further Institutional Strengthening [34] (MONTH 26)** **Final Report on APLR Development, with Recommendations for Further Development [35] (MONTH 26)**
25-MAY03		
26-JUN03		**Final Report on Project Achievements, Including Analysis of Factors Influencing Successes and Failures [36]**

[24] Target renamed per USAID approval on 4FEB02. (Formerly "Status Report on SRO")
[25] Target renamed per USAID approval on 4FEB02. (Formerly "Completion of development of business plans by Georgian cadastral surveyors, real property appraisal and legal professions for the creation, management and sustainability of cadastral surveyor, brokerage, auction and appraisal associations)
[26] Target renamed per USAID approval on 4FEB02. (Formerly "Completion of the development of association management training plan")
[27] Due to weather conditions and the passing of the Law on Registration Fees adopted by Parliament and the subsequent repeal of the law by Presidential Decree No. 327, the pace of the field work was slowed and this target was moved from Month 14 to Month 15.
[28] Target renamed per USAID approval on 4FEB02. (Formerly "Finalization of charter documents" and "Registration of four distinct associations representing; cadastral surveyors, real property brokers/property managers, auctioneers and appraisers within the umbrella SRO")
[29] As noted in the IRPF's Quarterly Status Report, the two organizations selected for support are already existing and registered. No further action is required.
[30] Target renamed per USAID approval on 4FEB02. (Formerly "Completion of written Charter and SRO registration")
[31] Target renamed per USAID approval on 4FEB02. (Formerly "Development and delivery of targeted training curriculum and trainers relevant to each association (Cadastral, Brokerage/Property Management, Auctioneering and Appraisal)")
[32] The Polish Federation of Valuers lecturers are programmed for July 2003. Due to the illness of Consultant, Art Godi of the IRPF, the Broker Training Course will be rescheduled for sometime this fall.
[33] Target renamed per USAID approval on 4FEB02. (Formerly "Fees collected from member associations")
[34] Target renamed per USAID approval on 4FEB02. (Formerly "Final Report on the establishment of the SRO with recommendations for further institutional development")
[35] Target renamed per USAID approval on 4FEB02. (Formerly "Final report on Association with recommendations for further development")
[36] Target date changed to June 2005 per USAID approval on July 9, 2003

SUMMARY PROJECT TIMELINE *

for Georgia Land Market Development Project Extension
and
TARGETS ACHIEVED

MONTH	TASK	DESCRIPTION	COMPLETION / STATUS as of 30 June 2005
#1 JUN 03	1.2(c1)	Commence re-surveying and initial registration of blocks in error	*Achieved*
	2.1(a1)	Commence lobbying for draft law of Agricultural Land Privatization	*Achieved*
	2.1(e1)	Commence public information campaign on Agricultural Land Privatization	*Achieved*
	3.1.(a1)	Publish Monthly APLR Newspaper (ongoing)	*Achieved and ongoing*
	3.3(a1)	Commence/Continue legal and business consultation services	*Achieved and ongoing*
	3.3(b1)	Commence/Continue publicity of legal and business consultation services	*Achieved*
	3.3(c1)	Commence Conflict Resolution Services	*Achieved and ongoing*
	3.4(a1)	Commence compilation of land market statistics for quarterly reporting	*Achieved and ongoing*
#2 JUL 03	1.1(a)	Production of Sakrebulo Index Maps in 560 Sakrebulos	*Achieved*
	1.2(a)	Display and delivery of initial registration information for 350 Sakrebulos	*Achieved*
	1.2(b)	Display and delivery of remaining 477 Sakrebulos	*Achieved*
#3 AUG 03			
#4 SEP 03	1.1(b)	Completion of Sakrebulo Index Maps in 267 Sakrebulos	*Achieved*
	3.2.(d)	Development of Broker and Appraiser associations **(IRPF)**	*Achieved*
	3.4(c1)	Commence market analysis activities of demand for land and property information	*Achieved*
#5 OCT 03	3.2(e)	Report on Status of Broker and Appraiser Associations **(IRPF)**	*Achieved*
#6 NOV 03	2.1(a2)	Completion of lobbying for draft law of Agricultural Land Privatization	*Achieved*
	3.2(a1)	Commencement of policy studies on the themes	*Achieved; 4 policy studies completed*
#7 DEC 03	2.1(b1)	Commence assistance to six (6) local commissions on pilot basis	*Achieved; Pilot Projects Identified & Underway*
#8 JAN 04	3.4(c2)	Market analysis of demand for land and property information	*Achieved*
#9 FEB 04	2.1(c1)	Commence assistance with the privatization of State owned agricultural land in 6-10 Sakrebulos	to be commenced as soon as Privatization Draft Law is enacted

MONTH	TASK	DESCRIPTION	COMPLETION / STATUS as of 30 June 2005 (continued)
	2.1(d1)	Commence production of procedures for national program of lease privatization	to be commenced as soon as Privatization Draft Law is enacted
	3.4(d1)	Commence construction of land information databases and access rules	*Tbilisi Registry Real Property Website in operation; open to the public*
#10 MAR 04	1.2(c2)	Completion of re-surveying and initial registration of blocks in error	*Achieved*
#11 APR 04			
#12 MAY04	2.1(b2)	Completion of assistance to six (6) local commissions on pilot basis	to be commenced as soon as Privatization Draft Law is enacted
	2.1(c2)	Assist with the privatization of State owned agricultural land in 6-10 Sakrebulos	to be commenced as soon as Privatization Draft Law is enacted
	2.1(d2)	Completion of procedures for national program	to be commenced as soon as Privatization Draft Law is enacted
#13 JUN 04			
#14 JUL 04			
#15 AUG 04			
#16 SEP 04			
#17 OCT 04			
#18 NOV 04	2.2(a1)	Commence initial registration of 60,000 parcels in "white spots"	*Achieved*
	2.2(b1)	Commence public information campaign of registration of "white spots"	to be commenced after integration of USAID and KfW cadastral data
#19 DEC 04			
#20 JAN 05			
#21 FEB 05			
#22 MAR 05	2.1(e2)	Complete Public Information Campaign on Agricultural Land Privatization	Ongoing
#23 APR 05			
#24 MAY 05	2.2(a2)	Complete registration of a minimum of 60,000 parcels in white spots	180 181 white spots surveyed (as of 30 June 05)
	2.2(b2)	Complete Public Information Campaign on registration of white spots	to be commenced after integration of USAID and KfW cadastral data
	3.1(a2)	Continue publication of monthly APLR newspaper	*Monthly publication continued through July 05*
	3.1(b2)	Completion of two (2) Land Market Press conferences	*Achieved; 6 Land Market Press conferences held as of 30 June 05*

MONTH	TASK	DESCRIPTION	COMPLETION / STATUS as of 30 June 2005(continued)
	3.1(c)	Completion of Land Market Workshop and Conference	0 Land Market Workshop and Conference held (as of 30 June 05)
	3.1(d)	Publish five (5) newspaper articles on APLR activities	*Achieved; 77 Articles published on APLR activities as of 30 June 05*
	3.2(a2)	Completion of two (2) policy studies on the themes	Achieved, 4 policy studies completed
	3.2(b)	Completion of two (2) workshops and conferences on four themes	0 workshops completed (as of 30 June 05)
	3.2(c)	Completion of three (3) legislative drafts	*Achieved 3 Legislative Drafts completed as of 30 June 05*
	3.3(a2)	Provide legal and business consultation services to 250 clients	*Achieved; 1804 consultations achieved (as of 30 June 05)*
	3.3(b2)	Publish three (3) newspaper articles on APLR Legal and Business Consultations	*Achieved; 7 Articles on Consultation activities as of 30 June 05*
	3.3(c2)	Provide conflict resolution to 50 clients	*76 conflict resolutions accomplished (as of 30 June 05)*
	3.4(a2)	Completion of Quarterly Land Market Statistics	*Achieved*
	3.4(b)	Publication of documents containing data generated from special studies	0 Documents published on special studies data (as of 30 June 05)
	3.4(d2)	Completion of construction of land information data bases and access rules	Ongoing
		Project Completion Report	COMPLETED

*** All activities are to be completed by the APLR except where noted.**

8. Some of the Reports and Papers Produced under the C.A.

1. Quality Assurance Procedures—May, 2003 **(Appendix A)**
2. Administrative Regulations of the APLR, July, 2005 **(Appendix B)**
3. Data Holdings of the APLR—July, 2005 **(Appendix C)**
4. Lease of State-Owned Agricultural Land and General Review of Related, Problems March 8, 2002 **(Appendix D)**
5. Country Case Study/ Georgia—Paper presented to World Bank Conference, Budapest, April 3-6, 2002 **(Appendix E)**
6. Legal Issues Related to Households and Lands, 15 October, 2001 **(Appendix F)**
7. The Other Agricultural Land Reform in Georgia: State Leasing of Land and to Private Farmers, 8 May, 2003 **(Appendix G)**
8. Manual for Display Procedures, 5 May 2003 **(Appendix H)**
9. Land Privatization Pilot Project Activity Report, 31 July, 2004 **(Appendix I)**
10. Ideas on the main goals and principles of the Draft Law on Additional Privatization of State Owned Agricultural Lands, 17 June 2002 **(Appendix J)**
11. Privatization of Leases, 25 September 2004 **(Appendix K)**
12. The Development of a Non-Government Organization for Re-Defining Property Rights in Georgia, 4 April 2002 **(Appendix L)**
13. Report on a Self Regulating Organization "Umbrella Strategy" for the Land Market Development Project, 25 October 2001 **(Appendix M)**
14. Analysis of Real Estate Market Development in Georgia, 2004 **(Appendix N)**
15. LMPD Translations of Various Laws and Legal Acts **(Appendix O)**

QUALITY ASSURANCE
OF CADASTRAL AND REGISTRATION INFORMATION

FINAL REPORT OF ACHIEVED RESULTS-May, 2003

With the assistance of USAID Land Markets Development Project, facilitating activities for the initial registration of agricultural reform land parcels was implemented in 52 rayons of Georgia. Initial registration for 2,408,364 land parcels has been completed.

For improving the accuracy of systematic cadastre activities, significant importance is awarded to determining and ensuring quality of collected information. In parallel to work process, preventive measures were actively carried out. Such measures included occasional random inspections of work implemented by surveyor companies; however, this method did not prove itself to be very effective, as it turned out that only few types of violations and inaccuracies had been revealed through this approach.

In order to improve the effectiveness of such checks, Land Market Development Project has prepared the Quality Assurance Manual where the special attention was given to using modern technologies and involving local population of villages as an effective tool to locate and correct inaccuracies and violations committed during surveys.

Assuring quality of cadastre and registration information was carried out in two steps.

STEP ONE: Checking Technical Data

Surveyor companies have been provided with orthophoto plans (produced from the aerial imagery) and depicting blocks on them, as a result of which it became possible to determine real location of parcels in each block and their compliance. ***Subcontractor companies were provided orthophoto plans for each sakrebulo, total of 829 copies.***

Based on information provided by subcontractor companies, GIS team of the Association digitalized each block and depicted them on orthophotos, also in parallel to that they checked number of depicted blocks. Through indicated procedure system control of technical information prepared within the scope of the project was carried out. ***Total of 338,827 blocks In 829 sakrebulos have been digitalized and depicted on orthophotos.***

Identified flaws were corrected. In particular, due to its suspicious quality ***68,632 parcels were rejected out of 2,408,364 parcels.*** Out of this number 8,191 parcels were cancelled (4,505 parcels, which were paid during the previous period and this amount was deducted from each subcontractor, for 3 686 parcels subcontractors were not paid at all), 60,441 parcels were re-surveyed by subcontractor companies and new correct cadastre information was prepared.

STEP TWO: Public display with the participation of village population

Public display materials have been prepared for 788 sakrebulos of 52 rayons; in the remaining 41 sakrebulos the process was not carried out due to the following reasons:

- Construction of the oil and gas pipeline is underway in 23 sakrebulos. In these sakrebulos the oil pipeline company has obtained information about land parcels, which has been digitally verified several times and due to avoiding certain expected misunderstandings, LMDP has refrained from holding public displays in these sakrebulos;
- In 14 sakrebulos the number of parcels did not exceed 200 parcels and public displays were not held in these sakrebulos;
- Due to tightened security situation, in 4 sakrebulos public displays were not held there (Pankisi Gorge).

Project representatives selected and trained technical experts in every sakrebulo (sakrebulo's land arranger and secretary); ***total of 788 technical experts have been trained.***

Display materials, including maps showing depicted blocks, printed out bloks showing each parcel, and geo-referenced list of landowners were displayed in the sakrebulos. The process of informing sakrebulo population on public displays was conducted and the public display process was organized in 788 sakrebulos of 52 rayons.

Claim journals from every sakrebulo were reviewed and analyzed. Works on systematizing and processing recorded mistakes were conducted. Total of 788 journals. Final result show that the ***total of 93,068 claims were recorded in 52 rayons, 1,335 of these were considered as groundless and 91,733 were corrected.***

Detailed analysis of the claims revealed the following distribution of types of claims:

- Area incorrect – 26,064
- First and last name incorrect – 34,226
- Owner incorrect – 15,287
- Erroneous parcel number – 2,888
- Erroneous address- 9,439
- Parcel missing – 2,299
- Other – 1,530

Information about disclosed/recorded mistakes was submitted to the rayonal SDLM office of every rayon. Changes were made to registration journals based upon the agreement with the registrars.

After completing works on quality assurance of cadastral and registration information, databases were corrected for each rayon, taking into account received results: total of 52 rayons. To ensure security, several copies of corrected data bases are stored at different locations in APLR.

Corrected cadastral and registration documents of 788 Sakrebulos were printed again and were transferred to the registration offices. Same number of maps with the exception of 87 Sakrebulos in high mountain rayons, where satellite map quality was low, have been distributed to Sakrebulos. Sakrebulos in high mountain areas received block cadastral plans and two types of lists: alphabetical list of owners and parcel list according to parcel number.

Finally, information in the registration offices was corrected, to the rayon SDLM offices were transferred corrected cadastral maps of each sakrebulo (based on ortho-plans), owner lists (alphabetical and by parcel number), cadastral block plans.

Every rayon SDLM office and sakrebulo land arranger have stressed the importance of the above documentation, provided to them by the Project, and noted that they will work on perfecting them in the future. Most land arrangers did not possess such information and they were trying to obtain it by their own means.

As a result of quality assurance procedures, cadastral and registry errors have been revealed with active participation of landowners. The process facilitated an increased awareness of landowners regarding legal procedures and protecting their rights. They had an opportunity to conduct certain monitoring and inspection in the whole Sakrebulo (not just their own parcels) and to become personally convinced in reliability and necessity of the information.

Finally, it can be stated that by conducting the works on quality assurance of cadastral and registration information resulted in interesting, necessary and productive cooperation of the four most interested parties:

- Project, as the implementer;
- Rayon SDLM offices, as the future users and disposers of these documents;
- Landowners. They are in direct contact with land and this whole Project was implemented for their benefit.
- Bodies of local self-governance. Lists and plans, provided by us, are of high importance for them.

ADMINISTRATIVE REGULATIONS OF THE APLR

The Following Pages Contain Various Administrative And Management Manuals And Forms For The APLR, As Of 31 July, 2005[37]

[37] This document has been provided by the APLR. It is a direct translation of the original document which was produced in Georgian. Terra Institute, Ltd. acknowledges that to change the wording after translation to correct grammar, the possibility of misinterpretation is present. Terra Institute, Ltd. has chosen to leave the translation as is. Only formatting changes have been made from the original document.

ASSOCIATION FOR THE PROTECTION OF LANDOWNERS' RIGHTS

EMPLOYMENT POLICY

Article 1. Subject and Scope of the Employment Policy

1.1 The Employment Policy regulates internal labor relations between the Association for Protection of Landowners' Rights (herein the "Association") and the Association employees (herein the "Employee"), as well as relations related to the management, organization structure and administration of the Association.
1.2 Provisions of the Employment Policy extend to all Employees employed by the Association for carrying out works under the projects and contracts undertaken by the Association.
1.3 The Employment Policy regulates the duties, responsibilities and rights of the employee in accordance with the Georgian Labor Code and Manual of the Administrative Procedures of the Association.
1.4 The Employment Policy is a part of Administrative Procedures' Manual

Article 2. Term, Termination and Modification of the Employment Policy

2.1 The Employment Policy shall be approved by the Board of Association.
2.2 The Employment Policy shall come into force as of its approval by the Board of the Association;
2.3.The Employment Policy may be terminated or modified only by the decision of the Board of the Association;
2.4.Any initiative or suggestion on modification of the Employment Policy must be prior agreed with the Association Director; The Association Director shall address the Board with such initiative or suggestion;
2.5 Employees must have free access to the Employment Policy to get acquainted with its terms.

Article 3. Introducing the Employment Policy

3.1 The Association Employees should receive the Employment Policy together with the Labor Agreement and the Job Description to get acquainted with terms thereof.
3.2 Managers are responsible to introduce the Employment Policy to the new Employees on their first work day;

3.3 Dissemination of this Employment Policy with the purpose of introducing it to other/third persons or various agencies without the consent of the Association Director is prohibited;

Article 4. Terms of Employment

4.1 A person shall be employed after the equal opportunity competition/interviewing of the candidates;

4.2 A public announcement is required for accepting a new person on any labor category; the labor category is determined in accordance with the work plan and prior approved budget of the project undertaken by the Association.

4.3 The competition commission approved by the Association Director will select candidates. The commission selects the employees based on objective evaluation of the candidates' abilities. Results of technical tests, experience, education, qualification and personal features of candidates shall be considered;

4.4 The final employment decision on hiring the employee will be made by the Association Director;

4.5 After the appropriate candidate is selected, the Labor Agreement is executed between the person and the Association Director, acting on behalf of the Association ;

4.6 Specific requirements for each labor category are determined by managers/immediate supervisors;

4.7 An employee can be hired without a prior public announcement only in special case, when this is required by a specific agreement, grant or contract, which should be agreed upon with the Board.

4.8 Applicant shall submit the following when applying to a job:
- Application showing the announcement number/position;
- Autobiography/resume;
- Copy of the ID;
- Job history record and/or the references from the previous employment;
- Copy of a diploma;

4.9 Terms of the employment are regulated under the Labor Agreement which determines the following:
- Parties;
- Duty station;
- Starting date of work;
- Term of the contract;
- Term for prior notification regarding termination of the contract;
- Job description;
- Salary rate;

4.10 The Association should use a single form of general Employment Policy for each employment category. Job description and technical specificity are given in the annexes of Employment Agreement.

Article 5. Discipline and Administrative Sanctions

5.1 Each Employee is required to respect the Employment Policy and observe its terms;
5.2 Violation of the rules provided herein, considering the degree and frequency of violation shall be punishable in accordance with the disciplinary sanctions.
5.3 Punishment for violation of work discipline is warning in first case, reprimand in second case, strict reprimand in the third case and, finally, firing from the job without any prior notification.

Article 6. Dismissal

6.1 Decision on the dismissal of an employee is made by the Director of the Association.
6.2 The Director of the Association has the right to commence immediate dismissal procedures without any prior notification if an employee:
- Discloses confidential information relating to the Association operations to the third parties without prior consent of the Association Director / immediate supervisor;
- Assaults or batters the Association Director or one of the Employees;
- Has been convicted of a criminal crime;
- Has submitted forged documents when applying to a job;
- Has committed a mistake which has caused moral or material damage to the Association;

Article 7. Professional Incompatibility

7.1 None of the Employees are entitled to have direct financial interest in any other company or other state or private activity which is related to similar activities of the Association;
7.2 None of the Employee are entitled to require payment from any other private individual or legal entity for work done on behalf of the Association;
7.3 An Employee hired on a full time basis under the Labor Agreement shall not be entitled to work in another organization, during the work hours determined in the Labor Agreement, and receive payment. Working part-time on other job shall be agreed with the Association Director. In case if the Employee works in other organization, the monthly salary shall be calculated based on the time/level of effort spent by the individual in the Association.

Article 8. Working Hours

8.1 Ordinary workweek consists of five days from Monday to Friday;
8.2 The workday starts at 9.00 a.m. and ends at 6.00 p.m. The Employee can use the lunch break from 1 p.m. to 2 p.m. The lunch break time shall not included in the work hours;

8.3.During winter months, office hours may be from 9.30 a.m. until 6.00 p.m., which is subject to prior written approval by the Association Director.

Article 9. Payment Terms

9.1. Salary

9.1.1 The salary rate for each labor category/employee will be determined by the Association director and agreed with the financial manager, based on the prior approved budget;

9.1.2 Salaries must be stated in the Employee's Labor Agreement;

9.1.3 Salary is normally negotiated once per year. All changes to salaries must be in written form and shall be approved by the Association director;

9.1.4 Salary shall be paid once a month, at the end of every month;

9.1.5 At the end of the month the employee shall submit the monthly timesheet showing days /hours worked. Each time sheet shall be approved by the Employee's immediate supervisor and/or the Association Director.

9.1.6 Salary shall be paid in cash or transferred to the individual's personal bank account ;

9.1.7 Employee is responsible to open his personal account and submit the account number to the financial department.

9.1.8 Employees are not required to work after working hours or on Saturday and Sunday. It needs a prior approval of direct supervisor and/or Director of the Association in case of overtime work or on the weekends. If an employee will work overtime, without a prior approval such additional hours will not be compensated from the direct supervisor or the Director of the Association;

9.1.9 Considering the volume and quality of work performed by the Employee, as well as other factors, such as work approach, discipline, employee's qualification, etc. the Employee may receive a bonus. The bonus is to be paid once a year taking into consideration the duration of the Employee's employment period. The Association director may take the decision on paying bonuses providing they are considered in the prior approved budget;

9.1.10 Bonus payments should be based on decree issued by the Association director;

9.2 Reimbursement for Expenses

9.2.1 Employees personal expenses such as transportation, business trip expenses (hotel, food, tickets), mobile phone are only to be covered by the Association if the Employee submits the proper documentation and such costs are within the limits prior approved by the Association Director;

9.2.2 Using personal money for other business purposes is allowable only in special cases when the Employee is out of the office and coming back to the office for cash collection is not expedient; the Employee shall be reimbursed for such expense only after submitting the proper receipt to the financial department;

9.2.3 The Employees shall be reimbursed for the task related mobile calls made from the personal mobile telephones .Use of the personal mobile telephone must be pre-approved by the Association Director who determines and approves the reimbursable limits for each individual/labor category. In special cases under the discretion of the

Association Director, the Employee may submit the detailed telephone bill to the finance and administration department for identifying task related and non task related calls; in this case the Employee should be reimbursed for all task related calls and cost of the detailed invoice.

9.2.4 The Employees can be reimbursed for fuel in case of using personal cars for business purposes; such use must be pre-approved by the Association Director, and the compensation of fuel is accomplished in accordance with the kilometer. In special cases a Director may establish the limits.

9.3 Advances

9.3.1 To cover periodic office expenses an advance can be given to the Employee; cash advance is settled together with the expense receipts after the purchases has been fulfilled;

9.3.2 For any purchases for the office needs the Employee has to fill the Purchase Requisition Form indicating item description, quantity and total amount and get prior written approval from the Association director and/or financial manager ;

9.3.3 The Employee is required to submit receipts stamped by supplier for the expenses carried out to the finance department; financial manager should check that all expenses are having proper documentation and that the Association policy is followed.

Article 10. Paid Holidays, Vacation, Sick Days, Days Off

10.1 The Employees have the right to take paid holidays in accordance with Article 64 of the Labor Code of Georgia;

10.2 Each Employee has the right to use an annual paid vacation, in accordance to the Labor Code;

10.3 Employee is entitled to 2 paid days per each employment month or 24 work days per year;

10.4 If an Employee has not worked for a full year, the term of his/her paid vacation is determined in proportion to the length of the employment period; temporary inability to perform work shall be considered as the absence from work;

10.5 Request for a paid vacation or a leave without pay shall be submitted to the Association Director in a written form in advance. In order to receive a vacation the Employee fills the Vacation Request Form and obtains a written approval from the immediate supervisor and the Association Director;

10.6 Except for special cases, vacation shall be taken in course of one year. After one year of employment has passed, the vacation of the previous year is invalid. In case of leaving the job, the Employee has the right to receive compensation for the unused vacation days he was allowed to according to the terms of his Labor Agreement;

10.7 The Employee will receive a compensation for the paid vacation days at the end of the relevant month;

10.8 If an Employee does not use the annual vacation, he/she has the right to work and receive salary;

10.8. Special vacation, which is not included in the annual paid vacation, is given to an Employee in the following cases:
- In case of marriage – a 5-day paid vacation;
- In case of death of a family member – a 5-day paid vacation;

10.9 Sick days are compensated to each Employee of the Association in accordance with the current legislation of Georgia.

10.10 The Employee has the right to take unpaid days off with the prior written consent of the immediate supervisor and the Association Director; the number of unpaid days off is not limited;

10.11 If the Employee takes a day off without a prior written consent of the immediate supervisor and/or the Association Director, such action shall be considered as the violation of the discipline and is subject to administrative punishment.

Article 11. Business Trips

11.1 The Employee must understand that the scope of work and description of the services may require an intense travel to different rayons of Georgia. Therefore the Employee must be ready for the business trip any time on short notice from his/her immediate supervisor and/or the Association Director;

11.2 A manager determines the necessity of Business trips within the territory of Georgia and asks the Association Director to approve it. The Association Director approves request for business trip.

11.3 Business trips outside Georgia shall be approved by the Association director;

11.4 The Employees shall be reimbursed for the business trip expenses according to their duty station, if not otherwise specified in the scope of work for each labor category;

11.5 Business trip expenses are divided into several points:

11.6 Per-Diem/Meals and Incidentals Expenses

11.6.1 The Association Director will determine the per-diem rate based on the prior approved budget. The purpose of the per-diem is to cover the Employee's incidental expenses during working outside their duty station;

11.6.2 The per-diem rates may be different for different regions/rayons of Georgia and for trips outside of Georgia;

11.6.3 Per-diem rate for travelling inside Georgia must not exceed the amount anticipated within the contract/project budget;

11.6.4 Per-diem rate for travelling outside of Georgia is determined by Georgian Legislation;

11.6.5 Per-diem is paid in case if the Employee is required to stay at night outside the duty station;

11.6.6 After business trip the Employee submits the stamped Trip Authentication Form showing the destination place and time/days spent in business trips and Travel Expense Report;

11.6.7 Expense accounts are approved by the Financial Manager and Association Director.

11.7 Travel Expenses

11.7.1 The Employee may use local public transport (bus, mini-bus and train) when travelling inside Georgia;

11.7.2 Travelling expenses shall be reimbursed to the Employees only after submitting of travel receipts to the financial department; if the Employee is unable to submit the travel receipt to the financial department, reimbursement of costs shall be made in accordance with the current legislation of Georgia.

11.8 Hotel Accommodation

11.8.1 The Employee on trip has the right for hotel accommodation; the prior written approval of the Association Director is required;

11.8.2 Hotel accommodation expenses shall be reimbursed to Employees after submitting of relevant hotel receipts;

11.8.3 Amount of expenses necessary for the hotel accommodation in Georgia must not exceed the amount envisaged in the budget of the project/contract.

Article 12. Drivers and Transportation

12.1 Use of the Association drivers for personal purposes, not related to the job, is prohibited;

12.2 Drivers are part of the administrative component and are directly subordinated to the head of the finance and administrative department;

12.3 Drivers may be contracted with or without their own cars; in the latter case such provision should be envisaged in the Labor Agreement;

12.4 Each driver is responsible maintain records on trip to regions;

12.5 Additional driver or a vehicle may be hired only after the approval of Association Director. Compensation rate for additional drivers/vehicle hire must not exceed the fixed daily rate/price for such labor category/ current market prices.

Article 13. Training Cessions and Special Courses

13.1 One of the main principles of the Association is professional training of its Employees. The training shall be conducted on as needed basis. The training shall serve one main purpose: ensure Employees' professional progress, increase work interest and assist in developing career;

13.2 Decisions on holding the training cessions and special courses is undertaken by the Association Director;

13.3 Expenses related to the training cessions and special courses shall be envisaged in the prior

Approved budget under the other staff related costs heading.

Article 14. Responsibilities of the Managers / Immediate Supervisors.

14.1 Managers are hierarchically subordinated to the Association Director. They bear the responsibility for the work of the Employees that are under their direct supervision. For the purpose of distinguishing functions and facilitating financial and management procedures, each Employee is subordinated to his/her manager/ immediate supervisor;

14.2 Promotion, bonus and solving other issues are conducted upon the request of the Employee's immediate supervisor , which is approved by the Association Director ; the Association Director may initiate the promotion, bonus, etc. on his own consideration;

14.3 Managers prepare monthly, quarterly and annual work plans, determine the necessity of a specific labor category/personnel and specify the responsibilities and obligations of the subordinate staff;

14.4 Managers accomplish relevant technical management and correspondence.

Article 15. Use and Maintenance of the Association Property

15.1 The Employees take full responsibility for the proper maintenance of the equipment in use;

15.2 Displacement of the equipment from the location is not allowed without prior notification of the finance and administrative department;

15.3 The Employees must immediately notify the finance and administrative department in case of damage of the equipment;

15.4 Upon termination of the Labor Agreement the Employees are obliged to immediately return to the Association any materials, documents, keys or any other property in the Employee's possession which belong to the Association.

15.5 Office copiers, telephones and fax machines shall be used only for job related purposes;

15.6 Any personal use of the office telephones and fax machine must be properly recorded in the telephone log-sheet; the Employees shall reimburse to the Association for the personal call/fax according to the detailed telephone/fax bill.

Article 16. Conclusive Provisions

16.1 The Employees are prohibited to distribute information and notices related to the Association activities without prior agreement of the Association Director and/or immediate supervisors; immediate supervisors must agree any such distribution with the Association Director;

16.2 Disclosure of any information to the general public, also keeping of the contracts, documents of the Association and the Employees personal files is regulated by the relevant procedure.

16.3 Observing the provisions of this Employment Policy is obligatory for all Employees of the Association;

16.4 Any disputes arising from the execution of the Employment Policy provisions shall be settled by the mutual agreements or in the last resort by the court of the city of Tbilisi;

16.5 This provision, which supercedes all previous provisions, is approved by the Board of the Association on _____ year _____.

FINANCIAL ACCOUNTING MANUAL

INTRODUCTION

This manual is intended for the Association for the Protection of Landowners' Rights. It deals, within the limits of possibility, in detail, with all essential aspects of activity of this organization. This manual is to be used in combination with the APLR manual on administrative procedures.

Accounting Principles

The manual relies on the IASC (International Accounting Standards Committee) structural basics for preparing and submitting financial reports and the international accounting standards. International accounting standard #1 "Submitting financial reports", Point 4, defines the following:

"Non-profit enterprises, public organizations, other enterprises of the state and public sector, which will attempt to use the indicated standard, may need to add explanatory information about certain articles of financial reporting or financial reporting itself. Such enterprises can also submit additional components of financial reporting."

Due to the above-mentioned, the principles of accounting and financial reporting, used in the manual, embody the accounting methods generally used in the world accounting practice for non-profit enterprises, which do not contradict the above-mentioned structural basics for preparing and submitting financial reports and the international accounting standards.

Main technologies of accounting

The accounts plan and principle of accounting entries, given in the manual, relies on the so-called technique of accounting of funds. The indicated technique for each accounting element will be discussed in detail in respective chapters. Generally, accounting of funds implies organizing the accounting system in a manner, which will make it possible to maintain separate accounting and, consequently, independent financial reporting for every Project and, at the same time, to prepare and submit reports on the whole organization's scale.

Using the fund accounting technique has several strong advantages:

- ***Maintaining Project financial reporting*** – as a rule, each donor, at certain time intervals, requires submission of financial information, which will indicated a resume of the funds allocated only by this donor and their expenditure. Technique of funds accounting ensures maintaining of such information as not only aggregated but minute detail and its submission without additional accounting work;

- ***Integration of management accounting elements*** – funds accounting technique enables to prepare, at any moment, detailed management information according to each direction of activity;

- ***Strong internal control environment and low level of risk of preparation of financial reports*** – basic principles incorporated into the funds accounting technique ensure observing of all structural and main requirements of international accounting standards. One of the most problematic issues of accounting for non-profit enterprises is observing the compliance of revenue and expenditures. Funds accounting technique minimizes the risk of violation of the compliance principle.

General legal issues

The APLR carries out its activities in accordance with the legislation of Georgia and its own rules. Since activities of the Association are mostly related to administering the funds received through grants, this financial accounting manual devotes appropriate attention to this sphere of activity, although it is not limited to it and also discusses the accounting and tax issues, related to economic activity.

Organizing of the Association's accounting system is naturally affected by a whole range of legislative requirements. These legislative requirements, according to necessity, are discussed in the respective context chapters. What is cited below is the general legislative basis for grant operation and administration on territory of Georgia.

Grants

In accordance with Article 2 of the Law of Georgia On Grants, a grant is target funds (monetary or in natural form), transferred free-of-charge by the donor to the grantee, which are used for specific humanitarian, educational, scientific-research, health protection, cultural, sports, ecological and social projects, as well as programs of state or public importance.

Donor allocating the grant may be:

- International charity, humanitarian and other public organization, financial credit institution, government or representation of a foreign country, as well as a non-entrepreneurial legal entity (foundation, program).

- Georgian non-entrepreneurial legal entity (foundation, program), the main goal of which, in accordance with its Charter, is accumulating property for the purpose of facilitating charitable, social, cultural, educational, scientific-research or other activity for public benefit.

Grant recipient may be:

- State of Georgia, represented by the body (organization), authorized by the Georgian President;
- Georgian body of state authority and local self-governance;
- Georgian resident or non-resident non-entrepreneurial legal entity, its representation, branch, office;
- Citizen of Georgia.

Legal basis for grant allocation is a written agreement between the grantor and grantee.

Rule for grant taxation is determined by current legislation of Georgia.

Since the Tax Code of Georgia is often subject to numerous amendments, financial department of the Association must not limit itself only to the provisions cited in this manual.

CHART OF ACCOUNTS

Formation principle

The chart of general accounts, given below, is based on the chart of accounts recommended by the Georgian Federation of Professional Accountants and Auditors. As to specific formation of separate accounts, the basis for that is the funds accounting technique, included in the Introduction. Used principles of formation of accounts and sub-accounts do not contradict the chart of accounts recommended by the Federation of Accountants and Auditors, although, proceeding from organizational specifics of the Association, it became necessary to alter the names of some basic accounts and to add certain general accounts.

Structure of the expenses group is as follows: expenses are grouped according to their economic content, to each expense is attached the sub-account of the department, in order to accumulate information by departments. Such division will facilitate comparing of the Association budget with actual information, from the point of view of planning and control. As to preparing reports for donors, it is carried out in the accounting software with each Project being conducted for a certain donor.

General chart of accounts

Assets

1000 Current assets

1100 Cash

1110 Petty cash

1120 Cash in national currency

1130 Cash in foreign currency

1200 Bank account money

1210 Current account

1220 Foreign currency account

1230 Foreign currency in non-resident bank

1300 Short-term investments

1310 Short-term investment in bonds

1320 Current part of Long-term investments

1400 Short-term demands

1410 Demands from supply and services

1415 Correction of doubtful demands

1420 Demands towards enterprise staff

1430 Demands towards senior management

1440 Grants receivable

1450 Advance payments made to suppliers

1600 Inventory of supplies

1610 Fuel

1612 Office supplies

1700 Expenses paid in advance

1710 Insurance paid in advance

1720 Rent paid in advance

1730 Salary paid in advance

1740 Expenses paid in advance to the supplier

1800 Accrued demands

1810 Interest to be received

1900 Other current assets

1910 Demand on VAT

2000 Long-term assets

2100 Fixed assets

2110 Machinery and equipment

2120 Office equipment

2200 Depreciation of fixed assets

2210 Accumulated depreciation of machinery and equipment

2220 Accumulated depreciation of office equipment

2300 Long-term demands

2310 Demands from donors

2400 Long-term investments

2410 Long-term investments in bonds

2500 Intangible assets

2510 Computer software

2520 Licenses

2600 Depreciation of intangible assets

2610 Depreciation of software

2620 Depreciation of licenses

Liabilities

3000 Short-term liabilities

3100 Short-term liabilities

3110 Liabilities arising from supply and services

3120 Advance payments received

3130 Salaries due

3140 One-time compensation

3150 Business trip compensation

3160 Vehicle depreciation compensation

3170 Lease liabilities (physical persons)

3180 Honorarium

3300 Tax liabilities

3310 Income tax

3320 Social tax

3330 VAT due

3350 Entrepreneurial tax

3360 Property tax liabilities

3370 Profit tax

3380 Advertisement tax

3390 Income 10% non-resident

3400 Accrued liabilities

3410 Accruals

3420 Deferred grant

4000 Long-term liabilities

4100 Long-term loan liabilities

4200 Deferred income

4210 Deferred income from donors

4300 Deferred taxes

5000 Net assets

5100 Unlimited own funds

5200 Profit/losses of the period

5300 Reserves

6000 Revenue

6100 Operational revenue

6200 Grant revenue

7000 Expenses

7100 Operational expenses

7101 Salaries

7102 Salary taxes

7103 Office telephone expenses

7104 Mobile telephone expenses

7105	Office security expenses
7106	Initial registration of agricultural land parcels
7107	Generator expenses
7109	Care and repairing of equipment
7110	Internet expenses
7110	Fuel and vehicle services
7112	Business trips in Georgia
7113	Business trips abroad
7114	Office supplies
7115	Special supplies
7116	Transport services
7117	Office rent
7118	Advertising
7119	Printing expenses and webpage updating
7120	Legal and document translation expenses
7121	Logistics and communal expenses
7122	Insurance
7123	Broker services
7124	Trainings and seminars
7125	Bank services
7126	Auditor and financial services
7127	Amortization and depreciation
7128	Public relations expenses

7130 Tax on provision of services

7131 Postal expenses

7132 Representative expenses

7133 Tea and coffee for the office

7140 Base data processing

7141 Initial registration expenses

7142 Expenses of obtaining information

7150 Land acquisition procedures

7198 Tax expenses

7300 Non-operational expenses

7310 Interest expenses

7311 Losses from exchange rate difference

7312 Correcting materials

7313 Writing off of fixed assets

7314 Loss from sales of fixed assets

8000 Non-operational revenue

8100 Profit from exchange rate difference

8200 Revenue from tenders

8300 Interest revenue

8400 Profit from sales of fixed assets

CREDITOR DEBT AND RECORDING OF EXPENSES

Internal control system

Goals of the internal control system

i. Before recognition of the creditor debt, received invoices and related documents are inspected for the purpose of determining correctness of the liability;

ii. Only proper operations (supplier invoices, credit bank statements, corrections) related to creditor debts, are timely and accurately recorded on appropriate accounts in the accounting books;

iii. Control over recorded liabilities is carried out for the purpose of timely paying them.

Accounting procedures[38]

Accrual

General structure of accounting entries for recognition of expenses is the following:

Debit	1910	VAT refundable
Debit	71NN	Accrued expenses
Credit	3XXX	Creditor debt

There are two exceptions:

a) Purchase of reserve supplies (gasoline coupons, diesel fuel, etc.)

Debit	1910	VAT refundable
Debit	16XX	Fuel
Credit	3XXX	Creditor debt

Apart from recording of funds, proceeding from capabilities of the accounting software, quantitative recording of such reserves is necessary – maintaining an inventory registry.

b) Purchase of main assets:

[38] Here and after in the text, in the accounting entries cited as examples are always implied the operations carried out within grant limits, unless otherwise indicated.

1. General:

Debit 1910 VAT refundable

Debit 2XXX Main assets

Credit 3XXX Creditor debt

Similarly to reserve supplies, in accordance with capabilities of the accounting software, quantitative recording of main assets must be conducted.

Recognizing of supplies as expenses happens based on the report of spending the fuel coupons, issued by the responsible person; the expense is reflected in the accounting books under the following entry:

Debit 7110 Fuel and vehicle servicing

Credit 1610 Fuel

Payments to supplier

For any payment, the Association uses the voucher system.

Voucher system is a component part of the Association's internal control and accounting systems. In accordance with this system, before actual payment of the expense is processed a voucher, which unites the documents related to this operation and is practically a sanction on monetary funds flowing out of the organization. Voucher system envisages usage of several types of vouchers.

Expense voucher is a multi-copy, serially numbered document of strictly defined format. Only based on this type of voucher does recognition of actual expenses take place. In the voucher must be indicated the following:

- Code of the Project/contract to which the expense in question belongs;
- Date of the operation;
- Type of payment;
- Amount in GEL and, in case of necessity, in relevant foreign currency;
- Exchange rate used;
- Expense category;
- Agreement number;

- Operation content, in case of necessity;

Any voucher is approved with signature of the Head of the financial department.

First copy of the voucher, to which is attached the package of approval documents (invoice, strict recording note, notice on good reception, order form, requisition application, payment order, etc.), is filed in the accounting documents' binder of the Association.

Second copy of the voucher is filed in the used vouchers' binder, for the purpose of complete keeping of vouchers.

Voucher must not be processed if:

a) Package of documents is incomplete; or

b) All of the internal control procedures, cited above, have not been carried out on the documents.

Accounting entries of payment for any goods and services are the same:

a) Payment is made through transfer:

Debit 3XXX Creditor debt

Credit 12XX Bank

Advances paid to suppliers

If agreement processed with suppliers envisages advance payments, the following modification of procedures and accounting entries will take place:

Advance payment

While paying advances to suppliers, advance voucher is used.

Debit 1450 Advances paid to suppliers

Credit 12XX Bank

Advance settlement

If supplied goods or services fail to satisfy the norms of agreement with the supplier, advance must not be settled or can be settled proportionally (e.g. when the amount of goods received is

less than the amount of goods ordered, advance is settled in the same proportion as the proportion of received goods compared to ordered goods).

Debit 71NN Expenses paid

Expense voucher is processed, based on which:

Debit 1910 VAT refundable

Credit 1450 Advances paid to suppliers

Tax issues

Purchase, transportation and sale of material assets must be carried out with strict recording goods invoices.

Value Added Tax

According to Article 119 of the Tax Code of Georgia, the grant recipient party, which is buying goods, envisaged by the grant agreement terms, and is receiving work or services on the same basis, has the right to compensate the VAT paid for these goods, work or services after submitting the tax sheet to the tax agency.

VAT compensation occurs only in the case if the statement is submitted to the tax agency within three months as of the operation subject to taxation.

In case of return of paid VAT or it being counted as another tax, the following entry is made:

Debit 12XX Bank

Credit 1910 VAT refundable

or

Debit 3320 Income tax

Credit 1910 VAT refundable

If the Association cannot manage to submit the tax statement to the tax agency within the defined time term, paid VAT is entered into expenses, in the relevant category of main expenses.

REVENUE

REVENUE RECEIVED AS GRANT

Recognition criteria

In order to recognize revenue received through grants in the accounting books, it is necessary to satisfy the following two conditions:

a) The Association must have substantial guarantee that it will be able to satisfy the conditions related to the grant, and

b) The Association will have justified guarantee that it will receive the grant.

Proceeding from structural basics of the international accounting standards, except for these two conditions, one other general condition is applied: it should be possible to reliably assess the grant (in terms of the amount).

Time of recognition

Any grant must be recognized as revenue for the period(s), during which were borne those expenses, for covering which the grant in question is intended (the principle of compliance of revenue and expenses).

Grant or the portion of the grant, which is related to purchase of depreciable or amortizable long-term assets, must be recognized as revenue, in accordance with the depreciation or amortization expense of these assets.

Grant or the portion of the grant, which is related to purchase of non-depreciable or non-amortized long-term assets, must be recognized as revenue in accordance with the expenses which are related to satisfying of the conditions of this grant.

If non-monetary assets are transferred to the Association as a grant, these assets and related grant (grants) are recognized at their market or nominal value.

Accounting procedures

Recognition of the grant within revenue in general takes place under the following entry:

Debit 1440 Grants receivable

Credit **62xx** Revenue received as grant

If implementation of the above-indicated grants cannot be managed in full or in part due to time division, then for the part of the grant left beyond the current accounting period:

Debit 1440 Grants receivable

Credit 3420 Grant postponed revenue

It is clear that during the next accounting period, the remainder of postponed revenue is recognized within revenue in accordance with expenses

Debit 3420 Grant postponed revenue

Credit 62XX Revenue received as grant

After reception of grant funding

Debit 12XX Bank

Credit 1440 Grants receivable

Recognition/non-recognition of receivable grants depends on the specific grant agreement, it is possible that recognition of grant postponed revenue take place at the moment of money transfer and not at the moment of writing of request/invoice.

DEBITOR DEBT

Internal control system

Goals of the internal control system

In general, like for any other internal control system, goals of the internal control system over revenue and debitor debts is to ensure that only sanctioned operations are recorded timely, accurately, on relevant accounts and within relevant accounting periods. In particular, internal control procedures should ensure the following within the system of control over debitor debts:

- Sanctioning of invoices and credit bank statements, before their entering into accounting records;
- Control and repayment of creditor debt.
- Invoices and corrections

- Based on approved sale form and notice of sending the goods, is written a serially pre-numbered invoice, which is approved with signature of the relevant responsible person;

- Processed invoices are entered into the sales registry, which is the initial recording document;

- Cancelled invoices should be filed separately;

- Cancellation of invoices should be followed by cancellation of the relevant notice of sending of goods;

- Cancelled invoice should be approved with signature of the relevant responsible person.

- Debitor debt

  - Official responsible person should be appointed, who will maintain the debitor debt list and reveal the debts, term of repayment of which has expired;
  - The Association should be in frequent contact with debtors for the purpose of returning debt.
  - Debit remainders should be divided according to their date, for the purpose of revealing doubtful and hopeless debts.
  - Hopeless debts should be eliminated in accordance with determined authority (after the authorization of official person).

- Cash sales

  - Persons that are conducting goods sales in accordance with the above method, should keep:

- Invoice/income order registry.
  - Cash book.

  - By the end of each day, if the sales took place, they are obliged to present the below mentioned to financial and sales departments:

  - Information on sales.
  - Received amount.
  - The Association copies of used invoices/income orders.

  - Responsible person designated from the financial department verifies the relevance of presented invoices and amounts with the registry and the remainder of existing products.

Accounting Procedures

During processing an invoice

Debit 14XX supply debts
Credit 61XX operational revenue

In case of money transfer, based on the bank extract:

Debit 12XX National currency in bank
Credit 14XX Operational revenue

Hopeless debts

Doubtful and hopeless debts, as a rule, do not represent a necessary element for non-profit organization accounting. However, if the Association reaches high levels of commercial activities, it will be necessary to comply with international standards of accounting in order to keep financial reports just and correct.

Records of doubtful debts are created based on past trade experience and on the date of debit remainders.

Debit 71XX Expenses related to doubtful requests
Credit 1415 Correcting doubtful requests

Hopeless debts will be considered as expense:

Debit 73XX Hopeless debts
Credit 14XX Supply debts

Tax Issues

Purchase, transportation and sales of material assets should be conducted by strict recording invoice.

VAT

IN accordance with Article 92 of the Tax Code, if revenues received from commercial activities exceed 24 000 Gel in 12 months (100 00 Gel as of January 1), the organization is subject to mandatory VAT registration. Besides, Tax Legislation provides the opportunity for voluntary registration as VAT payer.

Objects to be taxed with VAT are taxable operation and import. Providing goods (work, service) by person, even if free-of-charge, is the operation to be taxed.

According to Article 98 of Georgian Tax Code, the amount of the operation to be taxed is determined based on the compensation amount received by VAT payer from the recipient or any other person. VAT interest rate (not including Vat) equals 20%.

If the Association will be obliged to undergo registration and will become VAT payer, it will have to add VAT on provided product (work, service). In this case the following records will be added to the records mentioned above:

Debit	14XX	Requests from supply
Credit	61XX	Sales revenues
Credit	3330	VAT

VAT Refundable

According to the requirements of the Code, VAT refundable is tax, which is paid according to presented invoices or is paid for the import or operation to be taxed, according to customs declaration or operation, if product, work or service is used or will be used for the economic activities of the payer, even if they are not included in the price of the product. VAT paid to the Georgian budget will be subject VAT refundable.

If, invoices presented by VAT payer, VAT paid according to product import and/or VAT paid according to the operation to be taxed, partially concern economic activity of the payer, refunding is conducted proportionally.

It needs to be mentioned that VAT refundable does not concern certain types of products and services, detailed and complete list of which is provided in Article 114 of Georgian Tax Code.

Including VAT, record is as follows:

Debit	3330	VAT
Credit	1910	VAT Refundable

Profit Tax

If the organization conducts commercial activities, according to Georgian Tax Code, it becomes equivalent to the entrepreneur and has to pay profit tax. Taxation object for the above organizations is profit, which is determined based on the difference between the tax payer's unified profit and deductions envisaged by Georgian Tax Code. Profit received only from commercial activities will be considered as unified profit, also expenses related to profit received from commercial activates will be considered as deductions.

Reporting period equals 1 calendar year and tax interest rate equals 20%.

According to Article 89 of Georgian Tax Code, the organization is obliged to pay the amount to the budget, according to the annual tax of past year, in amount of:

a) Before May 15 – 30%
b) Before August 15 – 30%
c) Before November 15 – 40%

Besides, tax payer, which did not have taxable profit last year, should pay current taxes based on last quarter factual data of reporting period.

Tax on Economic Activities

Organizations, conducting economic activities, are obliged to pay tax on economic activities. According to Article 209 of Georgian Tax Code, marginal amount of economic tax equals not more than 1% of income (not including material loss), not including VAT, received through providing product (work, service). Material loss should include only the loss that occurred during commercial activity.

Terms for paying taxes and submitting declarations

VAT

VAT payer is obliged to submit VAT declaration to the tax body, according to the place of registration, for each reporting period (calendar year), by no later than 15th of the next month.

VAT should be paid within the term established for presenting the declaration.

Income Tax

Tax payers are obliged to present the income tax declaration after the end of reporting year. The above declaration should be presented to the tax bodies before April 1 of next year.

Tax on Economic Activities

Tax estimates for economic activity on Tbilisi territory will be presented quarterly no later than 20th of next month of reporting quarter.

Relevant tax is also paid no later than the date determined for estimate submission.

Cash and Cash Remainders

Internal control system

Instead of conventional cash, the Association maintains, the so called, small cash system. principle for its functioning is the following: material responsibility is imposed upon certain staff members (not from financial department) and they are appointed as cashier/supplier. They are responsible for small cash, in the form of corporate credit card, which holds a limited amount of money, for example 1 000 Gel. At any given moment, the total of the amount and the documents confirming the payment should equal the maximum amount of the fund i.e. 1000 Gel. Cash is regularly filled, for example in the end of each week (according to turnover), based on the presented documentation. This system is transparent and simple. The following entries are made during establishing and filling small cash:

Accounting procedures

Establishing small cash fund

Debit 11XX small cash
Credit 12 XX bank

Filling the small cash fund

Debit 71XX expense
Credit 12XX bank

Conversion:

a) Exchange rate revenue as a result of conversion

Debit 12XX bank (currency received as a result of conversion)
Credit 12XX bank (converted currency)
Credit 18XX revenue received as a result of difference in exchange rate

b) Financial damage due to conversion

Debit 12XX bank (currency received as a result of conversion)
Debit 73XX financial damage due to difference in exchange rate
Credit 12XX bank (converted currency)

Re-evaluating foreign currency remainders

a) Exchange rate revenue due to re-evaluation

Debit 12XX bank
Credit 81XX revenue received due to difference in exchange rate

b) Exchange rate damage due to re-evaluation

Debit 73XX revenue received due to difference in exchange rate
Credit 12XX bank

Business Trips

Internal control system

Aims of internal control

Advance is issued via money transfer to the private account of the receiver. The aim of control system is to ensure target spending of funds. Besides, internal control system should ensure the protection of relevant legislative requirements, acting in Georgia.

Internal control procedures

In terms of procedures, the following objectives are achieved in the following manner:

- Member or the head of group, going to the business trip, is filling out the requisition for business trip funds, which is approved by official responsible person.
- Based on approved requisition, is processed advance voucher.
- Within three days after returning from business trip, person or the group of persons should present a relevant report, or/and the document confirming their business trip, on its basis is will be cancelled advance voucher (processing spending voucher).
- Within the country, personnel is given a determined per diem, additional expenses are compensated based on the director's decision, if issued advance exceeds documented expenses, the loss will be compensated via administrative procedures determined by the Association.

Accounting procedures

Issuing business trip funds

Debit 1430 personnel requirements
Credit 12XX bank

Recognizing expenses

Spending voucher will be processed upon presenting relevant confirming documentation, based on which:

Debit 71NN	spending category of the relevant project
Credit 1430	personnel requirements

Legislative requirements related to business trips

Business trip funds issued in Georgia are recorded according to April 4, 1998, Presidential Decree #220 On Compensating Business Trip Related Expenses to Employees.

In case of the business trip in Georgia, as defined by the above Decree:

During business trip the employee leaves the institution, enterprise or organization, according to the managers' instruction, for the purpose of performing his/her business tasks at the places other than the permanent work place.

The amount of per diem during business trips within Georgia equals 3 (three) Gel.

Per diem is calculated according to the number of days spent in the business trip, including week ends and day offs. Going to the business trip and returning on the same day is considered as one day.

Enterprises, institutions and organizations should compensate expenses related to travel and accommodation, in accordance with the factual expenses, after presenting the vouchers.
In case of not presenting vouchers, with the consent of the head of organization can be compensated the following:

- Travel expenses, within the limits of lowest railway and auto transport tariffs existing in the country;
- Accommodation expenses: In Tbilisi and cities subordinate to central authority – 2 Gel, cities subordinate to rayonal authority – 1 Gel, in villages – 50 Tetri.

Persons who returned from business trip should account advance, within the three work days. Persons reporting will not receive funds for the next business trip before they account for the previous advance.

Concerning the rule for compensating expenses related to business trips abroad. The above business trips lasting less than 1 month are considered as short term business trips, whereas business trips lasting more than 1 month are considered as long term business trips.

Per diem for the employee on the long term business trip abroad is compensated in accordance with the annex. The amount of per diem shall equal the amount of per diem for short term business trips1 within the country, for the employees of Georgian institutions functioning abroad.

If employees are sent to short term business trip and the receiving party is covering all the personal expenses, the employees will receive additional compensation to the daily norm.

Accommodation expenses abroad will be compensated according to the factual expenses in middle class hotel.

If the documentation confirming the accommodation at the hotel is not presented (lost), expenses are compensated in amount of 10$ daily. If the documentation confirming the transportation are not presented (lost) – issued compensation will equal the minimum transportation rate.

Amounts exceeding the norms determined by Georgian Tax Legislation are determined as salaries and are subject to taxation.

Payments for Hired Employees

Internal control system

Objectives of internal control system

The aim of below provided internal control procedures is to secure the following:

i. Salaries are calculated only for the Association members based on determined rates.
ii. Salary calculation is precise and is relevant with the work done (for example, an hourly wage);
iii. Salaries should be issued to relevant employees only.
iv. Tax obligations should be recorded correctly, timely and precisely.

Internal control procedures

- Salaries should be calculated only by official responsible person (persons) based on the hourly execution of authorized activities.
- Authorization of direct or concrete supervisors of the activities is necessary for issuing bonuses.
- The Association compensates to hired workers by monthly transfers. proceeding from this:
    - Payroll sheet is prepared, which contains the following details:
        - The amount of worked hours/days during a month.

        - Salary rate.
        - Transferred salary.
        - Taxes.
        - Amount to be issued.
    - An official person, not related to calculating salaries, checks and approves the payroll sheet with the signature.
    - After transferring appropriate funds, transferred funds should be compared with the payroll sheet.

Accounting entries

Transferring salaries

Debit 71NN salaries transferred
Credit 3130 payable liability

Income tax

Debit 3130 payable liability
Credit 3310 income tax

Social taxes

Debit 3130 payable liability
Credit 3320 Mandatory state insurance payment

Settling liabilities

Debit 3130 payable liability
Credit 12XX bank

Debit 3310 income tax
Credit 12XX bank

Debit 3320 social taxes to be paid
Credit 12XX bank

Tax issues

Salaries funded by grants are taxed with the following taxes:

Income tax

Income tax, additional total, rates envisaged by Article 42 of Georgian Civil Code, particularly:

The amount of income to be taxed during calendar year	Tax rate
1. Up to 200 Gel	12% of income to be taxed
2. from 201 to 350 Gel	24 Gel + 15% of income exceeding 200 Gel
3. From 351 to 600 Gel	46.5 Gel + 15% of income exceeding 350 Gel
4. 601 Gel and more	89 Gel + 20% of income exceeding 600 Gel

The above rates are used in case of main work place. Concerning non-main work place, in accordance with Article 88 part 4, "Income received from main work place is taxed with the highest tax rate, envisaged by Article 42".

During calculation of the salary to be taxed, Georgian Tax Code envisages subtraction of non-taxed minimum in the amount of 9 Gel. Such subtraction takes place only when the salary is received on main work place.

Social Taxes

In accordance with the Article 187 Point c) of Georgian Civil Code, salaries issued by the organization funded by grants are freed from taxation.

Mandatory State Insurance Payment

In accordance with the Law of Georgia On, insurance payment is determined by 3% of the salary amount, salaries for physical persons are taxed by 1%.

The Existence of Commercial Segment

If, besides grants, the organization is conducting commercial activities, then according to Georgian Tax Legislation the organization is considered as enterprise (in the framework of conducted commercial activity) and it will be taxed according to acting legislation. Besides, for the purpose of taxation from the total amount of expenses should be divided expenses related to the income received through commercial activities.

Issued salaries, which are related to commercial activity, are taxed with the following taxes:

Tax Income

The principle and rate for taxing is similar to the taxation during grant funding.

Social Taxes

According to the points "a" and "c" of Article 185 of Georgian Tax Code, below mentioned are considered as social tax payers:

"a) Hiring physical persons, entrepreneurs and legal persons, which are compensating to the physical persons hired in Georgia".

c) Physical persons, which are receiving payment according to Points "a" and "b". Social tax rates are envisaged for persons determined by point "a": In social security unified state fund – 27% of taxable amount, in unified state employment foundation - 1%. Besides, the amount to be paid to the social security unified state foundation should comprise not less than 16 Gel for each physical person.

For physical persons envisaged by Point "c": to the social security unified state foundation – 1% of tax amount.

State mandatory insurance payment.

Principles and rate for taxation are same as during taxing the salary financed by grant.

Terms for paying taxes and submitting the declaration.

Income Tax

Tax should be paid to the budget upon the issuing of the salary.

Within 30 days after the end of tax year, certificate on the total amount of physical persons' income (salary) and tax shall be presented to the tax body.

Besides, it should be mentioned that tax bodies also require monthly form of income tax, which should be submitted no later than 20th of the next accounting month.

Social Taxes and Mandatory Insurance Payments

Social tax is paid upon the issuance of the salary.

The form for income tax calculation shall be presented to the social foundation before the 15th of next month.

Main Material Assets

Internal Control System

- Registry of main assets

- Any change in main material assets will be reflected in the registry.

- Registry of main assets indicates:

  - Date of receiving main assets;
  - Name and code/identification number of main assets;
  - Self-cost of main assets;
  - Location of main assets;
  - Depreciation rate;
  - Accumulated depreciation;
  - Persons materially responsible over main assets;

- Maintaining registry of main assets is possible in digital manner, by using relevant functions of accounting software of the Association;

- Persons materially responsible over main assets should be appointed from the departments using these main assets;
- Unique code should be awarded to all main assets:

  - Codification should be elaborated in such manner that it will be possible to determine through means of which donor (or Association's own) was certain main assets purchased;
  - Code should be attached to all stationary main asset (except for buildings);

- At least once a year inventorization of main assets should be conducted, for the purpose of re-checking compliance of their completeness and condition with their current value;

- Inventorization of main assets procedurally is similar to physical inventorization of inventories:

  - Written instructions will be issued;
  - Inventorization registries will be prepared;
  - Registry for inventorization registries should be maintained;

- Rates for depreciation of main assets, as well as its methods should be determined and approved by the management of the Association;
- Discard sales and re-evaluation of main assets is allowable only in case of sanctioning it by supreme managing body of the Association.

Accounting Procedures

Long-term assets, value of which exceeds 150 GEL are considered to be main assets.

Depreciation:

Debt	71NN	Depreciation
Credit	22XX	Accumulated depreciation

Dispatch of Main Assets (Discard or Sales)

In case of discard and sales of main assets, remainders on accounts of relevant main assets are cancelled as well as remainders of corresponding accumulated depreciation.

a) In case of profit

	Credit	21XX	Main Assets
Debt		22XX	Accumulated Depreciation
Debt		12XX	Bank
	Credit	84XX	Profit from sales of main assets

b) In case of loss

Debt		73XX	Other expenses (loss)
Debt		12XX	Bank
	Credit	21XX	Main Assets
	Credit	22XX	Accumulated Depreciation

The Association uses following service terms for main assets:

Type of Assets	Year
Provision of Accounting Software	5
Provision of Computer Software	4
Computer Hardware	3
Office Equipment	5
Communication Equipment	2
Furniture	5

Re-evaluation of Main Assets:

Since the Association is non-governmental, non-profit organization, requirement of international accounting standards in regard to re-evaluation of main assets is not an essential

issue. However, in case of necessity it is allowable based on the permission of the Association's management.

Re-evaluation of certain assets is prohibited. Re-evaluation shall concern whole group of assets to be re-evaluated.

a) Increasing value

Debt	21XX		Main Assets
Credit		53XX	Reserve for re-evaluating main assets

b) Diminishing value

Debt	53XX		Reserve for re-evaluating main assets
Credit		21XX	Main Assets

Attachment 1

Registry of Main Assets

Code	Name	Group	Date of Purchase	Value	Depreciation Rate	Location	Materially Responsible Person
01/01/01	Computer PII 266 MHZ	Office Equipment	20/03/01	583.33 GEL	50%	Office, Room 24	Name, Last name

Besides this information registry should indicate dates of discard, sales and capital repair of the main assets.

Accounting software "ORIS" integrates registry for main assets which includes but is not limited with the information indicated above. It must be noted that during the existence of commercial segment, certain types of differences arise between international accounting standards and requirements of Georgian legislature from the point of view of depreciation rates and main assets. It would be expedient to place both types of information in one registry, however this is impossible through ORIS registry of main assets. Due to this reason it will be necessary to maintain two registries for main assets, out of which one will be integrated in accounting software, in order to digitally maintain one type of reporting (financial or tax).

Codification

Awarding identification code numbers to main assets should be of systematic and organized character. It is recommended to use following identification code:

- First two positions indicate within the scope of which project was the asset purchased (for example: 01 means Land Markets Development Project);
- Second two positions (third and fourth) indicate type (group) of main asset;
- Last two positions represent sequential number of main asset.

Grouping Main Assets

Grouping of main assets in accordance with the Tax Code is given below, along with the other tax issues. Grouping assets in the registry according to international accounting standards implies their classification into main categories based on their purpose (for example: building-constructions, automobiles, office equipment, office furniture and etc.)

Taxation Issues

Property Tax

According to Article 19 of the Tax Code, if the organization is involved in economic activities, part of its activities and property, which is related to its activities it is considered to be activities and property of the enterprise. Proceeding from the above mentioned if any of the property of the Association will be involved in economic activities than this property will be taxed with property tax. Property tax rate is 1% and it is added to average amount of remaining value of the property during the year. Declaration, according to which annual taxes are declared, should be submitted to tax bodies on April 1 of the next year of the reporting year. During the year tax is paid in a form of current tax by the 15th of second month of each quarter. Amount paid afterwards is corrected by the annual tax amount on April1. Declaration of current taxes will be submitted to tax bodies on February 1 and will be calculated by average annual amount of remaining value of property to be taxed.

Property tax is not charged for the property used for nature protection and fire security. Detailed list of assets that are exempted from property tax is given in Article 143 of the Georgian Tax Code.

Depreciation of Main Assets for Taxation Purposes

For the purpose of charging depreciation on main assets used for economic activities, following grouping with depreciation level is used:

Group number	Property	Depreciation level as a percentage
1	Passenger automobiles, automobile and tractor equipment for use on roads; special instruments; sundries and accessories; computers, peripherals and equipment for data processing and storage	20%
2	Automotive transport rolling stock; trucks, buses, special automobiles, and trailers; machines and equipment for all sectors of industry and the foundry industry; forging and pressing equipment; electronic equipment; construction equipment; agricultural machines and equipment; office furniture	15%
3	Railway, sea, and river transport vehicles; power machines and equipment; turbine equipment; electric motors and diesel generators; electricity transmission and communication facilities; pipelines	8%
4	Buildings, structures	7%
5	Assets subject to depreciation not included in other groups	10%

Annual Financial Reporting of the Association

Composition of Annual Financial Reporting

Annual Financial Reporting of the Association consists of:

1. Reporting on financial condition of the Association;
2. Reporting on revenues, expenses and changes in net assets;
3. Reporting on flow of monetary funds

Down below is provided simplified and abbreviated exemplary package of annual financial reporting of the Association:

The Association for the Protection of Landowners' Rights

Reporting on Financial Condition

By December 31, 200X

(in GEL)

Assets	**200X-1**	**200X**
Current Assets:		
Money and Monetary Equivalents		
Net Receivables		
Liabilities		
Product-Material Values		
Other current assets		
Total Current Assets		
Long-term Assets		
Main Assets (Net)		
Total Long-term Assets		
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Liabilities to be paid		
Deferred Grant Income		
Other short-term liabilities		
Other Current Liabilities		
Net assets:		
Surplus of accumulated revenue (expenses)		
Total net assets:		
TOTAL LIABILITIES AND NET ASSETS		

The Association for the Protection of Landowners' Rights

Calculating changes in revenues, expenses and net assets

By the end of 12 month period, completed on December 31, 200X

(Gel)

	200X-1	200X
Revenue:		
Revenues received through grants		
Revenues received through commercial activity		
Other revenues		
Total revenue:		
Expenses:		
Expenses related to commercial activity		
Other expenses		
Total expenses:		
CHANGES IN NET ASSETS		
Net assets in the beginning of the year		
NET ASSETS BY THE END OF THE YEAR		

The Association for the Protection of Landowners' Rights

Reporting on the flow of monetary funds (direct method)

By the end of 12 month period, completed on December 31, 200X

(Gel)

	200X	200X
Cash flows from operational activity:		
Revenue received through grants		
Revenue received through commercial activity		
Expenses borne within the frame of grant		
Expenses related to commercial activities		
Net cash flows from operational activity		

Cash flows from investment activity:
Disposal of fixed assets
Obtaining fixed assets
Net monetary flows from investment activities:

Monetary funds from financial activity:
Revenues received from long term loans
Paid financial lease liabilities
Net monetary flows from the financial activity:

NET GROWTH (FALL) OF MONETARY FUNDS
Monetary funds in the end of the year
MONETARY FUNDS BY THE END OF THE YEAR

Preparing financial reports

Reporting on the changes in revenues, expenses and net assets

Reporting on the revenue, expenses and net assets can be prepared and presented in accordance with the functional and economic classification of expenses. In any case, compiling of reports comprises totaling of relevant expense subaccounts. Since existence of remainders on these subaccounts depends on specifics of the operations carried out during the reporting period, the manual does not discuss the example of their totaling, in order to avoid incorrect interpretation.

By means of the accounting entries, given below, is calculated the net result of the reporting period (profit/loss, same change in net assets) from operational and other activity.

a) Closing of expenses

Debit 52000 Result of the reporting period

Credit 7XXX Expenses

Credit 73XX Other expenses

b) Closing of revenues

Debit 6100 Operational revenue

Debit 6200 Grant revenue

Debit 8000 Other revenue

Credit 5200 Result of the reporting period

Finally, according to whether the financial year result is positive or negative, we will consequently have:

Debit 5200 Result of the reporting period

Credit 5100 Unlimited own financial means

or

Debit 5100 Unlimited own financial means

Credit 5200 Result of the reporting period

It is noteworthy that there arises a difference between profit for tax purposes and financial profit, entering of which is regulated by International Accounting Standard 12 – "Taxes from profit". Due to large extent of the topic, the manual does not discuss provisions and practical interpretation of this Standard.

Reporting on flow of monetary funds

In accordance with international accounting standards, reporting on the flow of monetary funds must reflect flowing of monetary funds during the reporting period, which will be grouped into operational, investment and financial activities.

Submission of flow of monetary funds related to operational activities

Organization must submit flows of monetary funds related to operational activities:

a) Through direct method, which shows complete flows of incoming and outgoing monetary funds, according to main categories; or

b) Through indirect method[39], according to which net result of the reporting period are corrected with results of non-monetary operations, while taking into account postponement or accrual of revenues or payments of the past or future period, as well as those revenues and expenses, which are related to investment or financial activity money flow.

[39] Reporting on flow of money through indirect method is not given in the manual, since content of reporting submitted through this method is constantly changing, on a case-by-case basis.

Submission of flow of monetary funds related to investment and financial activities

Organization must separately submit complete flows of incoming and outgoing monetary funds, related to investment and financial activities, according to main categories.

P.S. Regularly, once a week, database of the accounting software has to be backed up on CDs or the Association server.

Association for Protection of Landowners' Rights

Health and Safety Manual

2005

Table of Contents

1. Introduction
2. Organization and Lines of Responsibility
3. Health & Safety Policy
4. Alcohol and Drugs Policy
5. Safeguarding Environment
6. Risk Assessment
7. Work Site Conditions
   7.1 Cleanliness and Waste Materials .....
   7.2 Ventilation.....
   7.3 Temperature in Indoor Workplaces .....
   7.4 Lighting .....
   7.5 Room Space and Workplace Seating .....
   7.6 Windows, Floors, Walls and Ceilings .....
   7.7 Sanitary Conveniences.....
8. Transportation / Vehicles
   8.1 Temporary Transportation Use .....
   8.2 Long-Term Transportation Use .....
9. Fire & Electrical Safety
10. First Aid / Emergency Protocol
11. Reporting

1. Introduction

This manual is intended for the employees of the Association for the Protection of Landowners' Rights (hereunder referred to as "APLR" or "Association" and "Organization") to ensure that all activities are performed in accordance with the Health and Safety Policy minimum requirements set forth in this document.

The primary goal of the Manual is to declare Health and Safety management procedures put in place by the APLR, which aims at minimizing any assessed or potential hazards, risks or injuries associated with the work performance.

The manual focuses on main aspects of health & safety management system organization, coordination, maintenance and reporting techniques adopted within the APLR.

Any amendments to the policies, procedures and/or responsibilities included in the Manual shall be declared and made available in writing as soon as reasonably practicable to all APLR employees and third parties as appropriate.

All members of staff will receive a copy of this manual and will be required to sign to state that they have read and understood it. New members of staff will be required to read and sign a copy of this manual before they start work and their manager will familiarize, explain and assist them to begin work in a safe manner as applicable.

2. Organization and Lines of Responsibility

The APLR has a nominated safety manager who has overall group responsibility for reviewing and making recommendations on all matters relating to health and safety.

The safety manager will ensure through the management organization that:

- All persons employed by the organization receive adequate health and safety training. In addition employees will receive adequate instruction and supervision to enable them to undertake their work in a safe manner.
- All transport and equipment are suitable for their intended purpose and that it is maintained in a safe condition at all times.
- All persons working on site, whether or not employees of the organization, are adequately notified of all known hazards and protective measures.
- That the company risk assessments, along with all other safety documentation, are brought to the attention of all relevant parties.
- All employees are required to comply with their requirements under current internal organizational procedures. All staff must co-operate with the management of the Association to allow it to comply with the current manual for health and safety.
- Individual members of staff, who have any concern regarding their own safety, or that of a third party, are responsible for reporting the matter to their manager without delay.

3. Health & Safety Policy

It is the Policy of APLR to take all possible steps to ensure the health, safety and welfare of all employees and other persons engaged in work for the organization and any third parties who come into contact with our business.

It is the duty of each employee to comply with the Association's safety policy and to co-operate with the management of the organization to ensure that the work place remains as safe as possible.

The Association is fully committed to maintaining safe systems of work and fully recognizes their overall responsibility for safety in the work place.

Any member of staff who does not comply with this safety policy or any other safety requirement will be liable to disciplinary action or dismissal from work as necessary.

General induction training in health and safety management system of the Association will be provided for all members of staff. Additional training will be provided for new and nominated members of staff as required.

The planning of training in health safety is the responsibility of the safety manager. If any member of staff feels that he/she could benefit from other specific safety training in addition to that which has been assessed as relevant by the Organization then they should approach their supervisor.

4. Alcohol and Drugs Policy

The Association is aware of its responsibilities to provide, as far as is reasonably practicable, a safe and healthy working environment, and recognizes that this can be put at risk by those who misuse alcohol or drugs to such an extent that it may affect their health, performance, conduct, and safety, or the safety of others whilst in the workplace.

All employees, regardless of status, are expected to adhere to, and observe, current and future legislation and the Organization policies and rules regarding the consumption of alcohol and/or drugs whilst on, or reporting for, duty or whilst on Association or client premises.

The consumption of alcohol on the Association premises is not allowed except at authorized company functions or with the prior consent of senior management. Any employees, regardless of status, found consuming either drugs or unauthorized alcohol on Association premises, or thought unfit to carry out their normal duties through the unauthorized consumption of such, may be subject to disciplinary action.

The Association reserves the right to remove from site and suspend from work any employee suspected to be in breach of this policy through misuse of alcohol or drugs, pending further investigation.

Any employee found to be in breach of legislation and/or the Association policy or rules may be subject to disciplinary action for gross misconduct that may lead to summary dismissal.

Anyone taking prescribed or over the counter medication should inform his or her manager on reporting for duty and before actually commencing work.

The Association would prefer to help staff who might have a problem, not penalize them. Staff who seek help and declare a belief that they have a problem concerning either alcohol or drugs will be dealt with sympathetically by the Organization and support will be given where possible.

5. Safeguarding Environment

The Association employees must always try to minimize the quantity of waste and shall observe and comply with all laws and regulations concerning the production, carrying, keeping, treating and/or disposal of waste and the following specific environmental considerations where appropriate.

6. Risk Assessment

It is the policy of the Association to encourage all staff and third parties to work together to create a healthy and safe working environment.

To fulfill this policy hazards have to be identified and suitable steps taken to prevent injury or ill health to the Organization staff, or third parties, who may include contractors or visitors.

The risk assessment should assess the risk that may be present in all work activities, and may identify particular areas for more detailed 'specific' assessments.

It is important to note this procedure relates to the long-term health of individuals as well as the management of the safety of such individuals, which focuses on the prevention of injuries.

Risk assessments should be done at least once a year provided that no changes have occurred during this time. If either the working environment or working practices are amended, however slightly, a new risk assessment must be performed.

Risk assessments need to be done before new procedures are introduced.

In order to perform a satisfactory risk assessment it is important to define the focus for assessment, to identify activities, to identify hazards, to identify who is at risk, to evaluate risk, to review controls, to record decisions and review regularly.

Risk assessments must be performed by the safety manager with involvement of activity managers and supervisors.

7. Work Site Conditions

7.1 Cleanliness and Waste Materials

Good housekeeping in all areas is an essential feature of safety and the prevention of accidents.

Staff working in all areas must have regard to the following:-

- Ensure all entrances, corridors, walkways and exit doors are kept clear of obstructions at all times.
- Close all cabinets, cupboards and drawers after use.
- Never overload shelving or store heavy items above head height except on load bearing purpose built racking.
- Never leave a lit cigarette unattended in the designated smoking area.
- Clear away immediately any dangerous substance or spillage. Dangerous substances are marked and are defined as toxic, harmful, irritant, flammable or oxidizing.
- Waste materials must not be allowed to accumulate except in suitable receptacles.

7.2 Ventilation

Effective and suitable provision should be made to ensure that every enclosed workplace is ventilated by a sufficient quantity of fresh or purified air and any site used for this purpose shall include an effective device to give visible or audible warning of failure of device.

7.3 Temperature in Indoor Workplaces

Temperature should provide reasonable comfort without the need for special clothing. Where such temperature is impractical because of hot or cold processes, all reasonable steps should be taken to achieve a temperature that is as close as possible to comfort.

7.4 Lighting

Lighting should be sufficient to enable people to work, use facilities and move from place to place safely without experiencing eye strain.

Where appropriate, local lighting should be provided at workstations etc., or other places of particular risk.

7.5 Room Space and Workplace Seating

Rooms should have enough space to allow people to get to and from workplaces and to move within the room with ease.

Workstations should be arranged so that each task can be carried out safely and comfortably.

Workstations, including seating and access to the workstations, should be suitable for any special needs of the individual employee.

7.6 Windows, Floors, Walls and Ceilings

It must be possible to reach, operate and control openable windows in a safe manner.

Open windows should not project into an area where persons are likely to collide with them.

All windows must be of a design to enable them to be cleaned safely.

Floors and walls in the workplace should be kept free of obstructions that may present a hazard or impede access.

Lighting devices in the ceilings should be kept firmly fixed to avoid falling objects that may present hazard to health and safety of personnel in the workplaces.

7.7 Sanitary Conveniences

There must be suitable and sufficient sanitary conveniences provided at readily accessible places.

The rooms containing them are adequately ventilated and lit.

The rooms containing them are kept clean and tidy.

The rooms containing them include a supply of clean, hot and cold, or warm water.

The rooms containing them include soap or some other suitable means of cleaning.

The rooms containing them include towels or other suitable means of drying.

8. Transportation / Vehicles

8.1 Temporary Transportation Use

The employment of one-time transportation means such as mini-buses, buses or any other types of vehicles for the purpose of small or long-distance traveling, involving arrangement of conferences, workshops, seminars, trainings outside the workplace, must meet the minimum requirements provided below:

- Vehicle drivers must possess current and valid documentation for the transportation use in accordance with Georgian legislation;
- Vehicle interior and exterior conditions should be free from any defect that may present a hazard to health and safety of people;
- Prior testing of the vehicle must be conducted to ensure safe and uninterrupted technical operation of transportation;
- The safety manager together with the office manager is responsible for monitoring the above safety checks for the vehicles to be employed for short-term tasks.

8.2 Long-Term Transportation Use

Vehicles employed by the Association for long-terms tasks/projects must meet the minimum requirements provided below:

- Vehicle drivers must possess current and valid documentation for the transportation use in accordance with the Georgian legislation;
- Vehicle interior and exterior conditions should be free fom any defect that may present a hazard to health and safety of people;
- Prior testing of the vehicle must be conducted to ensure safe and uninterrupted technical operation of transportation;
- Each vehicle must be equipped with seat belts for each passenger;
- Each vehicle must carry First Aid Kit and a Fire Extinguisher;
- Each vehicle must have a spare tire, tow strap, set of tools, jack, air pump, reflective vest or jacket, flashlight and a warning triangle;

- Each vehicle driver must have a cell phone, use of which is allowed only if the vehicle is parked outside the driving road and engine is shut down.

Speed limits and any other local laws, requirements and legislation must be followed at all times by all drivers employed in the Organization.

Night driving is not encouraged by the Association unless there is a reasonable necessity identified by the vehicle driver, in which case it should be reported to the safety manager and/or office manager prior and after the trip.

The safety manager and the office manager are responsible for maintaining regular checks of vehicles for their operability and suitability for the work.

Long-distance trips must be coordinated by the safety manager through pre-departure and arrival contacts with transportation drivers.

Seat belts must be worn by all passengers in the vehicle at all times during driving.

Number of passengers in a vehicle must not exceed quantity of seats provided in transportation per passenger.

9. Fire & Electrical Safety

The Association will provide the necessary fire fighting equipment in accordance with the requirements of this manual. It is the policy of the APLR to over rather than under provide such facilities. All employees are required to familiarize themselves with the fire drill before commencing work. Exercises will be arranged at regular intervals. Existing fire fighting equipment will be inspected by a supervisor appointed by the safety manager on a regular basis. Fire fighting equipment will be inspected on a quarterly basis.

Fire exits must be kept clear at all times. No fire door to or from an occupied room may be locked.

No doors are to be wedged or propped open in any way. All personnel will be trained by their safety manager in the safe use of fire fighting equipment.

You should know which extinguishers are available in your immediate place of work. In particular you should ensure that combustible materials do not accumulate around your place of work.

Flammable materials must never be exposed to hot surfaces or direct heat sources.

In the event of a gas leak switch off all equipment and evacuate the premises immediate. Contact the Emergency Services immediately.

In the event of a fire the premises should be evacuated immediately following the information provided on the fire notices.

Fire extinguishers should only be removed from their wall brackets in an emergency. The removal of fire extinguishers in other cases without good reason will be considered as misconduct.

Ensure that all electrical equipment you use is in good order. Do not use any electrical equipment that does not appear to be in good order but report it to your supervisor without delay.

Changes to the electrical system (including new plugs) should only be undertaken by competent persons who have been trained and all works required should be reported to the safety manager.

Work on 3 phase electrical systems or live plant must never be undertaken by unqualified personnel and live working requires a specific risk assessment to be undertaken.

General Safety Requirements For Electrical Systems:

- Switch off all electrical equipment after use. Do not overload sockets.
- Do not allow wires to project into the walkways where they present a tripping hazard.

10. First Aid / Emergency Protocol

The Association will provide first aid in accordance with the requirements of this manual. The nominated first aider(s) will be published on the Association notice board in all offices and/or verbally explained to all staff as appropriate.

If you suffer an injury, however slight, report it to your manager and the nominated first aider at once. The injury must be entered in the accident book and you will be required to provide a full explanation of the events surrounding the accident.

If a serious accident occurs the first aider should be contacted at once. The first aider will arrange for an ambulance to be summoned immediately.

The first aider is a safety manager duly authorized by the Organization. In case of an emergency related to health and safety contact the first aider and/or your immediate supervisor/manager through 24-hour Emergency numbers provided by the Association.

If by any reason it is not possible to reach the safety manager contact APLR office manager or your immediate supervisor.

11. Reporting

All staff members are required to report any hazards and injuries caused in the course of work performance to the safety manager in the Association.

Accident Book shall be used for recording any relevant hazards or injuries reported to the safety manager from any staff member.

Accident Book shall provide information on the date, time and place of the hazard or injury occurrence as well as identify who has been exposed to hazard or injury, summary of accident and any other comments as deemed necessary.

The safety manager is responsible for keeping records and maintaining Accident Book accurately updated as required.

Further investigation or action can be initiated by the safety manager as deemed necessary to assess circumstances in which hazards or injuries occurred and minimize further similar risks through situation analysis.

A C C I D E N T B O O K

APLR

Accident Ref. #	
Name of Injured Person	
Occupation	
Age	
Length of Service	
Incident date	
Incident time	
Reported to	
Location of accident	
Details of accident from witness(es)	
Explanation of how incident occurred	
Reported to Enforcement Authority?	
Further steps taken	

Investigation & Action Report

APLR

Accident Reference Number:

Injured Person			
Name		Age	years
Occupation		Length of Service:	years
❑ Employee ❑ Trainee ❑ Other (please specify)			
Incident Details			
Date:		Time:	
Reported To:		Designation	
Location of accident:			
Details of witnesses to accident:			
Explanation of how incident occurred:			

Recommendation to prevent recurrence	
Action recommended	
Date of action	

Accident Record Details	Yes No
Recorded in accident book	❑❑
Verbal notification if required to Enforcement Authority	❑❑
Written notification if required to Enforcement Authority	❑❑

Accident investigated by:

Name (print): Position:

Signature: Date:

APLR

Employee Name: Reference Number :

Job Title:

Training Provided	Date of Training	Employee Signature	Trainer Signature
Health & Safety Policy - Explain			
Alcohol & Drugs Policy - Explain			
Safeguarding Environment			
Risk Assessments			
Work Site Conditions			
Transportation / Vehicles			
Fire & Electrical Safety			
First Aid			
Accident Book			
Accident Reporting			
Fire Evacuation			

Trainer:

Date:

DATA HOLDINGS OF THE APLR AS OF JULY 31, 2005

#	Description	Format	Files	Records	Backup Copies	Location	Responsible Person	Source/ Probable Owner of Copyright	Last Update
1	IRS satellite orthophoto	Grayscale tif	48	48	CD, Server	Head office	Shalva Nozadze	GeoGraphic (APLR copyright)	11/15/2002
2	Raion property registration databases, Interbase	GDB	52	2,500,000	4 CD, Server	Head office	Shalva Nozadze	APLR, USAID	1998-2004
3	Uncorrected, non-georeferenced parcel blocks	LandCad	1,520,000	380,000	4 CD, Server	Head office	Shalva Nozadze	APLR, USAID	1998-2005
4	Georeferenced & re-edited parcel blocks	Shp	780	380,000	CD	Head office	Shalva Nozadze	APLR	2003-2004

ASSOCIATION FOR PROTECTION OF LANDOWNERS' RIGHTS

? 8. Gagarini I Lane. Tbilisi. Georgia

To: Jaba Ebanoidze

David Smith
Sergo Gudzuadze
Lela Shatirishvili

From: Eka Tsomaia

Date: March 8, 2002

Re: Lease of state-owned agricultural land and general review of related problems

---

Authorization for the Lease of State-owned Agricultural Land. On June 28, 1996, the Parliament of Georgia passed the Law of Georgia On Lease, according to which to Georgian citizens was awarded the right to lease agricultural land for a certain period of time.

On August 2, 1998, according to the President's Decree No. 446, despite abolition of the above-mentioned Law, lease agreements processed in accordance with requirements of this Law are not subject to re-processing or cancellation, unless parties of the agreement have violated agreement terms.

Lease Procedures. In order to conduct the process of leasing out land in an organized manner, bodies of local self-governance form permanent commissions, which submits to the public the information on the land parcels, existing in private ownership, subject to leasing out, and conducts competitions on leasing out land. Commission includes representatives of various Ministries, Departments and bodies of local governance.

In order for the relevant body of local governance to process a lease on agricultural land existing in state ownership, it has to carry out one precondition. It has to obtain consent from the following government agencies: the Ministry of Agriculture and Food, the Forestry Department, the Ministry of Environment Protection and Natural Resources, the Department of Geology, the Center of archeological research, the main Department of monument protection, the Ministry of Property Management.

Based on the commission's request, relevant rayon offices of the SDLM compile plans of the land parcels subject to leasing out. Twenty days before holding the competition, the commission publicizes the information on the land parcel, which includes:

1. Title of the body of local governance (i.e. title of the lessor);
2. Type and terms of the competition;
3. Lease payment on land and the method for paying it;
4. Final deadline for accepting applications on lease of state-owned land parcels;
5. Time and location of holding the competition;
6. Area and description of the land parcel.

Interested persons have the right to become acquainted with the indicated information beforehand.

The competition can be "commercial" and "non-commercial". In case of a "commercial competition", the lease is obtained by the applicant, which bids payment of the highest lease amount to the state. In case of a "non-commercial competition", the lease is obtained by the applicant, which submits the most satisfactory "business-plan". The commission determines whether the "business-plans" are satisfactory, or not.

The commission, together with the bodies of local governance, determines whether the competition has to be "commercial" or "non-commercial". In case if there is only one person who is willing to lease land, the land is leased to this person without competition, in any other case it is mandatory to hold a competition.

During processing of lease agreements on state-owned agricultural land, the lessor is considered to be the state, while the lessee can be represented by the person, group of persons or the legal entity which is leasing land.

The commission identifies the winner by simple majority of votes. Decision of the commission is entered into the protocol, which is signed by all the members of the commission. After that, the commission submits the protocol of the achieved decision and the lease plan to the body of local governance, the jurisdiction of which extends to this indicated parcel. The body of local governance, within two weeks, informs the commission of its decision on the competition results, and identifies the winner. The winner has to be informed of the decision of the commission (both positive and negative) within 10 days. In case of a negative answer, the applicant has the right to address a court.

After this procedure, between the body of local governance and the competition winner is processed a lease agreement, which has to be registered at the local zone registration office within 30 days.

According to the Georgian President's Decree No. 446, the time term of lease of agricultural land shall not exceed 49 years.

Preliminary Findings Concerning the Leased Lands. The Land Markets Development Project of the Association for the Protection of Landowners' Rights and the USAID, has obtained information on leases of agricultural land existing in state ownership. Meaning that from December 2001 to March 2002, employees of the Association and the Project were collecting the indicated information from every rayon's SDLM office, according to the form compiled by them. The form includes the following information:

- Name of the lessee
- Location of the leased parcel
- Address of the lessee
- The date on which the decision was made by the rayon Gamgeoba
- The date of processing the lease agreement
- The date of registration of the lease agreement
- Number of registration of the agreement in the journal
- Term of the lease agreement
- Area of the leased land (total and according to parcels)
- Lease payment
- Sanctions undertaken during violation of lease terms

Currently the information on lease of state-owned agricultural land has been obtained in the following rayons:

1. Tetri Tskaro	14. Khobi	27. Tskaltubo
2. Tsalka	15. Abasha	28. Samtredia
3. Bolnisi	16. Martvili	29. Telavi
4. Dmanisi	17. Khoni	30. Gurjaani
5. Khashuri	18. Tkibuli	31. Kobuleti
6. Borjomi	19. Sachkhere	32. Khelvachauri
7. Akhaltsikhe	20. Tsageri	33. Chiatura
8. Adigeni	21. Vani	34. Chokhatauri
9. Aspindza	22. Bagdati	35. Tsalenjikha
10. Akhalkalaki	23. Ozurgeti	36. Kaspi
11. Ninotsminda	24. Lanchkhuti	37. Kareli
12. Zugdidi	25. Zestaponi	38. Akhalgori
13. Senaki	26. Terjola	39. Dusheti

There are no cases of leases of state owned agricultural land in the following rayons:

1. Kutaisi	6. Kharagauli
2. Rustavi	7. Khulo
3. Poti	8. Shuakhevi
4. Batumi	9. Keda
5. Lentekhi	

Information has yet to be obtained in the following rayons:

1. *Marneuli*
2. *Gardabani*
3. *Gori*
4. *Mtskheta*
5. *Tianeti*
6. *Kazbegi*
7. *Chkhorotsku*
8. *Mestia – impossible to reach the rayon*
9. *Ambrolauri – impossible to reach the rayon*
10. *Oni – impossible to reach the rayon*
11. *Akhmeta*
12. *Lagodekhi*
13. *Dedoplistskaro*
14. *Signagi*
15. *Sagarejo*
16. *Kvareli*

According to the information we have obtained, we are informing you that lease agreements on state-owned agricultural land were processed as far back as 1996, after the Georgian Parliament passed the Law On Lease, while registration of agreements in the Public Registry, at the SDLM rayon offices, began from August of 1998, after issuance of the Georgian President's Decree No.446. However, in many rayons, lease agreements are still not registered in the Public Registry and the indicated information is recorded only in the special journal, intended for leases.

Cadastral works have not been completed in rayons, due to which the agreements registered and/or not registered in the Public Registry, do not have cadastral codes.

The principles of paying the lease rent are very vague. It can be said that lease payments are paid differently in each rayon; for example, in some rayons the lessees are paying only the fixed land tax, in some rayons to the fixed land tax is added the so-called lease rent, i.e. if a lessee has 10 hectares of arable land, he/she pays 10 X 24 (the annual land tax on one hectare of land) X 2 a year, since, according to explanations of registrars, the lease rent cannot be less than the land tax. In Senaki rayon, to all of the above is added the so-called discounted tax, which equals 2% of the lease rent to be paid during the term envisaged by the lease agreement (the property tax related to land lease is determined by Section 8 of the Tax Code of Georgia (Articles 164-169).

The lessee has to pay discounted tax to the state for using the property, which has to be in his usage for more then one year.

The lessee has to pay lease payment to rayon local administration body, jurisdiction of which presumably encompasses this parcel.

Relevant annual land tax is determined by rayon local administrative body. Frequently each agricultural land is divided into categories. Annex No1 represents annul land tax per hectare in accordance with rayons.

According to the registrars, lease payment is often very high. In existing situation lessees are unable to pay this amount and therefore they are forced terminate lease agreement before expiration of the lease term. The tendency for terminating leases agreements increased drastically.

No.	*Rayon*	*Number of agreements*	**Number of terminated agreements**
1.	Abasha	279	19
2.	Baghdati	128	41
3.	Lanchkhuti	131	22
4.	Samtredia	75	3
5.	Khobi	104	7
6.	Tsalka	333	90
7.	Zugdidi	69	3
8.	Martvili	106	4
9.	Tetri Tskharo	235	53

In the future, when we will have the digital version of this information, we will be able to analyze situation of state owned agricultural land leases in a better manner and provide problems related with lease agreements in every rayon in a detailed way.

Annex #1

#	Rayon	Annual Tax for 1 ha. Land (GEL)			
		Arable	**Perennial Plants**	**Mowing**	**Pasture**
1	Abasha	I – 34 II – 25 III – 18	I – 34 II – 25 III – 18	Do not have	3
2	Bolnisi	Irrigated – 52 Non irrigated – 35	Irrigated – 52 Non irrigated – 35	6	3
3	Martvili	23.5	23.5	Do not have	2 1.6 (Alpine)
4	Senaki	I – 33 II – 23.5 III – 17	I – 33 II – 23.5 III – 17	Do not have	3
5	Tetritskaro	I – 38 II – 27 III – 20	I – 38 II – 27 III – 20	6	3
6	Tsalka	I – 34 II – 29 III – 19	I – 34 II – 29 III – 19	6	3
7	Ninotsminda	19	19	6	3
8	Aspindza	17	17	4	2
9	Adigeni	13	13	4	2
10	Akhalkalaki	22	22	6	3
11	Akhaltsikhe	22	22	4	2
12	Kaspi	28	28	4	2
13	Zestaphoni	20.5	20.5	Do not have	1.5
14	Khobi	23.5	23.5	6	3
15					

INTEGRATING LAND ISSUES INTO THE BROADER DEVELOPMENT AGENDA

Country Case Study for the Regional Workshop on Land Issues in Central and Eastern Europe and the CIS

Presented by Jaba Ebanoidze,
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Georgia
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TABLE OF CONTENTS

Part 1. Introduction: Historical Background and the Current Situation

1.1. Georgian economy
1.2. Georgian agricultural sector

Part 2. Land Reform and Privatization

Part 3. Identification and Characterization of Critical Land Issues in the Country

3.1. Critical problems
a) Underdeveloped agribusiness
b) Complicated and confused institutional structures
c) Scarce technical and financial capabilities
d) Corruption
e) Quality of cadastral and registration information
f) Poor urban and agricultural land management
3.2 . The legal framework of property rights
3.3 . The potential impact of priority land issues on the poor

Part 4. Characterizing the Recent Status of Land Market

4.1. General overview of the land market
4.2. Land registration and cadastre
4.3. Valuation system
4.4. Financial services

Part 5. Integrating Land Issues into the Broader Development Agenda

5.1. Overall land policy
5.2. Integrating land issues into National Strategy of Poverty Reduction and Economic Growth
5.3. The degree of coordination between and support from the donor community

Part 6. Conclusions and Recommendations

Annexes

I. Quick links about Georgia
II. References

Part 1. Introduction: - Historical Background and the Current Situation

1.1. Georgian economy

Georgia strategically is situated as a trade and transit corridor in Transcaucasia, between Europe and Asia. In 1995 Georgia's total population was 5,411,000. According to 2000 July estimates it comprised 5,019,538 people, recent data recorded approximately 4,900,000 people. Country has an area of 69 700 square km. It shares its northern border with Russia, to the south lies Armenia and to the south-east, Azerbaijan. There is also a short frontier with Turkey, and a western coastline on the Black Sea.

In the Soviet period, Georgians enjoyed a relatively high standard of living. The country benefited considerably from a supply of cheap energy and raw materials. Industry was developed. For functioning of the giant enterprises concentrated and constructed in the administrative centers of the country, people were systematically forced to migrate from villages to cities. The majority of the large enterprises represented the part of the unified Soviet economy and today they have no perspective for further operation.

In the Soviet period Georgia was well known as a supplier of agricultural products. Georgia also produced a wide range of minerals. Principal mineral resources extracted were manganese ore and coal. Georgia also produced small amounts of petroleum and natural gas in the eastern region of the country. The sub-tropical climate of western Georgia allowed for the cultivation of tea and citrus fruits, while the dryer climate in eastern Georgia was ideal for viticulture. However the collective principle of the work was having negative effects on the agriculture, as employers of the collective farms concentrated on the quantity rather than the quality of the harvest.

The service sector particularly tourism, was well developed. Mineral and thermal springs, mild climate, fascinating nature, excellent wines, traditional Georgian hospitality, and ancient historical sites were the major attractions for travelers to Georgia. However in the centralized system of administration and control it was impossible to estimate the actual revenues generated from this sector for the country's economy.

After gaining independence in 1991, the Georgian economy experienced devastating deterioration. The termination of trading links with former Soviet republics created unfavorable conditions for local and foreign markets. War and ethnic problems caused additional severe difficulties.

In early 1994, the government embarked on a comprehensive reform program to rebuild the economy, with the support of the World Bank and the International Monetary Fund. Economic reforms included judicial, tax and regulatory reforms, the liberalization of trade, and the establishment of free currency exchange rate.

On May 1994 President Shevardnadze issued a decree to accelerate the process of all kind of privatization.

On September 1995 the Government introduced a new currency, the lari. The success of the lari and a steady decline in the rate of inflation were the results of a strict government monetary policy.

At the beginning of 1995, the Parliament passed the country's first budget.

As a result of these economic reforms and stabilization of civil conflicts, Georgia's economy slowly began to recover.

Economic growth became even more tangible in 1996 and 1997. The situation again deteriorated in 1998 as a result of the Russian financial crisis. In 1998 the gross domestic product increased by only 3 percent. In 1999, the increase in GDP was the same: 3%.

Slow growth continued in 2000, as GDP increased by less than 2%. The drought causing 12,6% decline in agriculture output was a major contributing factor underlying this slow growth rate.

In 2001, GDP comprised 6.51 billion GEL. Service sectors (transport, telecommunications and financial intermediary business) enjoyed the highest rates of growth. Total investments for the year 2001 comprised 5,9% of GDP. The largest investors were Turkey and the USA. Industry, however, continued to be hampered by low and unstable growth.

The important indicator of the economic situation - the level of unemployment is high. The showing indicated in the official statistics (11,4 percent) is very unrealistic. That is caused by overestimating the number of self-employed people. It is also noteworthy that almost absolute majority of the people employed in the public sector receive wages less than the living minimum.

Civil war and unrest, coupled with the country's economic and social collapse, resulted in an almost complete cessation of tourism in the early 1990's. The number of travellers, both international and domestic, decreased dramatically. Tourism facilities deteriorated because of lack of funds for proper maintenance and capital repairs. Nevertheless, Georgia demonstrated its commitment to development of its tourism sector by joining the World Tourism Organization (WTO) in 1993. With assistance from international organizations, programs have been initiated to preserve and maintain Georgia's cultural and natural heritage. It is true that because of Georgia's favorable location tourism has the serious potential, however the experience of the Soviet period cannot be considered for very optimistic estimates, especially if to take into account the fact that the rehabilitation of this sector demands enormous investments and the stabilization of the economic and political situation in the country.

Georgia's international relations have diversified after the dissolution of Soviet system. Georgia was the first South Caucasian country to become a full member of the Council of

Europe in April 1999. The World Trade Organization decided to admit it as a member in October 1999.

By 2001, Georgia's major trading partners were Turkey, Russia and Azerbaijan.

The Georgian economy still continues to experience a trade deficit and a large budget deficit. Endemic corruption and a failure to collect tax revenues are important contributors to these problems. By 2001, total tax revenues comprised 14.5 percent of GDP, which is significantly less than the average indicator in other countries of the region.

Georgia still suffers from acute energy shortages. The country imports the bulk of its energy needs, including natural gas and oil products. Its only sizable internal energy resource is hydropower, and this potential is only partially developed. Georgia privatized the electricity distribution network in 1998, and deliveries are steadily improving.

In the country there is a very hard criminal situation, which significantly hinders the development of the country, the human rights are violated. The reform of law enforcement agencies has not been carried out.

Because of Georgia's favorable location at the crossroads of Europe and Asia, the country is pinning its hopes for long-term recovery on the restoration of the "Great Silk Road", from the Black Sea across Georgia to the Caspian Sea, and on the development of an international transportation corridor through the key Black Sea ports of Batumi and Poti.

Country also hopes to benefit from the construction and exploitation of the Baku-Tbilisi-Jeikhan oil pipeline and Baku-Erzrum gas pipeline, which will raise revenues and will support the development of the infrastructure. In addition the involvement of Georgia in the global projects will be the guarantee of country's secure and stable development. However in the first place the resolution of the internal problems is of vital importance for the country.

1.2. Agriculture

Agricultural lands total 3,02 million ha, which make up about 43,4% of the total area of the country. There are nearly 800 000 ha of arable land (11,5%), and 332 000 of perennial crops (4,3%), which together comprise only 16 % of land area. The rest of the agricultural land is devoted to pasture (1,8 million ha, or 25,8%) and meadow-land (0,14 million ha, or 2,01%). The country also has substantial forest reserves: roughly 43% of the country's territory (2.75 million ha) is under forest cover.

Agriculture has historically been one of Georgia's most important sectors due to the country's diverse climates and relatively good soils. The crop and horticulture sector dominates primary agriculture in Georgia. Traditionally, this sub-sector provided about 2/3 of all agricultural output. Wine, tea, fruit, and vegetable canning, citrus processing, and mineral water bottling represent the major products.

Due in good part to the loss of its export market to other former Soviet Republics, Georgia's agricultural production has declined dramatically in the ten years since independence. Georgia has turned into a net importer from being a net exporter of agricultural products. In recent years, Georgia has been far from self-sufficient in the production of some of the basic food products (such as bread flour, eggs, milk, and sugar). Exporting industries such as wine, citrus and tea are operating at no more than 15 % of capacity. There were objective reasons that have caused the downturn of this branch of economy. In the Soviet period Georgian agriculture sector produced a large quantity of those products that were necessary only for closed Soviet sphere. In particular, country began to specialize in the production of citrus and tea unusual for local agriculture. As demand on those products was very high (among other Soviet countries, Georgia had unique climate conditions for the cultivation of these products), little attention was paid to the quality of the output. The same approach existed toward wine production.

Although in the post Soviet period land parcels were transferred into private ownership of Georgian citizens, the buildings, machinery and other technical means of the state-owned collective farms had been robbed. As a result farmers received land, but they had no technical means to treat it.

The major drawback of this period was the absence of strategic program for the development of agriculture. Disintegrated collective farms had no knowledge of modern management and principles of market economy, whereas they actually received the largest areas of land parcels.

These problems were aggravated by corruption. Trade marks of strategic products - Georgian wines were sold. Farmers themselves had to seek solutions out of the existing situation.

During the first phase of post Soviet period the development of agriculture followed the old trend. Country continued to produce a large quantity of low-quality products characteristic for Soviet period. Former processing enterprises mainly privatized by ex-directors, tried to sell low-quality products on traditional old markets, however as a result of competition they went bankrupt. Farmers concentrated on local markets, but because of corruption and uncontrolled smuggling of cheap produce, they lost even local markets for the majority of their products.

Deriving form the above mentioned, the unfavorable conditions of the agriculture sector were due to economic downturn and the absence of development strategy.

Despite the poor social and economic conditions remarkable increases have been recorded in agricultural output for the past several years. Agriculture contributed 19.2 percent to the GDP in 2001. This growth indicator is largely due to the fact that the layer of farmers is slowly forming. They managed to adapt to the principles of the market economy. High quality products began to appear on local and foreign markets.

Although, the impeding factors are still many. Processing industry faces serious problems. Most of the capital inherited from Soviet days has deteriorated badly in the last ten years, and

much of it is inoperable. Irrigation systems, which might have rescued Georgia from the drought of the past several years, largely lie in ruins.

Another problem hampering agricultural production for the domestic market is the smuggling of imported farm products from neighboring countries, which drives down the price for local competing crops.

At present, 58 percent of employed persons in Georgia are involved in agriculture. Sustained economic growth of the country at large cannot occur without achieving a significant increase in agricultural production.

To be competitive in the world agriculture marketplace, Georgia must consistently produce products that meet international standards for quality and food safety at competitive prices. Major capital investments are also needed at all stages of the agricultural production and food processing system, from better farm equipment, improved seed and plant stocks, modern processing facilities, to proper storage and transport systems to bring products to market.

Part 2. Land Reform and Privatization

During the Soviet period, Georgian commercial farming was represented by collective and state-owned large-scale farms both subject to centralized management and control. In 1988 they encompassed 87 percent of all agricultural land while auxiliary family plots accounted for 5.5 percent. In the Soviet system of farming, a typical family in a village was allocated 0.25 ha for family production. Regardless, all land was owned by the state.

The process of land reform in Georgia began with Resolution # 48 of the Government of Georgia, dated January 1992 and was caused by extremely poor social conditions. Deriving from the social and economic hardship experienced after the collapse of the Soviet Union, government was forced to begin transferring land parcels to each citizen. This was considered as the primary measure for alleviating poverty. The resolution of 1992 is generally known as "the land privatization decree", although more properly its objective was land distribution. Following this resolution, a "privatization reserve" of 850 000 ha was established. The privatization reserve encompassed less than 30 % of total agricultural area. Land from the privatization reserve was distributed free-of-charge to rural households. 1.25 ha was the maximum area of agricultural land to be transferred into ownership in the lowlands, while up to 5 ha was distributed to eligible households in the highlands. Land reform committees elected by the village managed the distribution of this land.

The distribution of land in the lowlands was carried out according to three categories:

- Citizens who were directly involved in farming had the right to receive 1.25 hectares of land per household
- People who lived in rural areas but were not involved in farming had the right to 0.75 hectare.
- People from urban areas had the right to 0.25 hectare.

One of the major impediments that have prevented complete distribution of the entire "privatization reserve" has been the political and civil unrest in Georgia. As a result, the percentage of agricultural land distributed in different districts is highly irregular.

In Georgia the process of privatization included two forms of land management (and ownership): the first being the allotment of land parcels of up to 1.25 ha per rural family, the other is the lease of the remaining state-owned agricultural land by physical or legal entities. This process was intended to create two main agricultural sectors: a self-subsistence sector for small farmers, and a market-oriented sector controlled by large leaseholders.

The agricultural land reform process has involved number of agencies at the national and local government levels. At the national level, a special committee was established to deal with all aspects of land reform and to manage the land reform in the collective and state farms. This committee was later incorporated into the Ministry of Agriculture and Food Industry, and was vested with responsibility for planning and implementing land reform, and proposing land legislation to be ratified by the Parliament.

The land privatization decree (Resolution # 48) was followed in September 1992 by a Government resolution on the reorganization of collective and state farms. As a result, the Soviet era large-scale farms have largely disintegrated, although they still exist (in some instances) as joint stock cooperatives leasing state land.

The allotment of agricultural land began somewhat spontaneously and lacked the necessary legal guarantees. To rectify this situation, on June 28 1993 Georgian Cabinet of Ministers adopted Decree #503. This Decree authorizes local land reform committees the issuance of the receive-delivery Act, which to this date is considered as the main document for granting ownership of agricultural land to households.

On March 1996, the Parliament of Georgia legitimized the acts issued by the Government of Georgia and issued the "Law on Private Ownership of Agricultural Land". According to this law, all governmental resolutions granting agricultural land ownership rights to the citizens of Georgia were considered legitimate.

By 1996, nearly 4 million land parcels total of 930 000 hectare were allotted to 1 400 000 person. However, the majority of new owners have not obtained the receive-delivery act, because they were unwilling or unable to pay for it (26 GEL per parcel). This has prevented initial registration of land and hampered the development of the land market. In addition, the Government has been unable to finance the preparation of surveys and other legal documents necessary for the registration of ownership to the land.

The Parliament of Georgia issued the "Law on Land (Immovable Property) Registration" in 1996. The problem was that since 1992, when agricultural land was first privatized, the transfer of ownership rights on land was not being properly registered. The existing system only recorded initial owners, and this was not sufficient for recording subsequent transactions.

Also, the existing system failed to meet the requirements of the new laws adopted during 1996-1999.

In order to accelerate the process of initial registration of land ownership rights and the issuance of registration certificates to Georgian citizens, and to help create sound system of land cadastre and registration, a number of international organizations provided the necessary technical, financial, methodological and consulting support to the country.

With the support of USAID, on May 16, 1999 Presidential Decree #327 was issued on "Urgent Measures for the Initial Registration of Agricultural Land Ownership Rights and Issuance of Registration Certificates to Georgian citizens".

In order to ensure that the process of initial registration be transparent and less time consuming, the State Department of Land Management (SDLM) and USAID agreed to minimize the number of documents necessary for land privatization and initial registration. Particularly for the initial registration, it is sufficient to present one or more of the following documents:

a. Land Receive-Delivery act; or
b. Land Distribution Lists of owners approved by the local land reform committee created on the basis of 1992 resolution, along with the plan on the allotment of land; or
c. List of land possessors existing in the Tax Inspection Service at the time of registration.

As a result of this agreement, the problem accompanying the privatization of agricultural land in Georgia was resolved in a timely, simple, inexpensive manner. This simplified initial registration also expedited the formation of a land market in Georgia, for conducting secondary transactions: sales, leases, mortgages, and the like.

From 1999 until December 2001, as a result of the USAID project, 1 325 000 agricultural land parcels have been registered. This has included:

- Carrying out cadastral planning works on these parcels, which established or verified the area of land parcels;
- Preparing relevant registration documentation;
- Registering the above in local land registration offices (Public Registries); and
- Granting Registration certificates to landowners.

The Decree allowed the registration of the ownership of land parcels free of charge even if the area of land parcels allocated to each household was 15% more than area set by norms. In reality, since allocation took place based on prior and often incomplete land survey records, the area of the allocated land parcels often did not correspond precisely to the norms set by Resolution of 1992. The approach adopted by the Decree thus prevented technical and social problems with landowners when conducting cadastral works.

According to the recent data, to this date approximately 1 700 000 agricultural land parcels have been initially registered.

Private ownership did not exist on nonagricultural land prior to November 1997. Land parcels possessed by private persons were deemed owned by the state.

The initial phase of privatization of nonagricultural land included land parcels with apartment buildings and individual houses. The Civil Code established that nonagricultural land parcels under individual houses and apartment buildings were owned by their residents.

The second phase of privatization covered industrial land. Parliament issued a special law in 1998, "Declaration of Private Ownership of Nonagricultural Land in Use by Physical and Private Legal Persons", which declared private ownership of nonagricultural lands possessed by entrepreneurs. The law did establish a one-time symbolic payment for obtaining ownership rights that was equal to the annual land tax.

Initial registration accompanied the process of privatizing industrial land. Enterprises were required to submit certain documents to the Registrar in order to have land privatized.

The above measures allowed successful implementation of the land reform throughout large areas of Georgia. The conditions that allowed such successful results included effective use of already existing documentation, avoidance of unnecessary bureaucratic steps, and the establishment of an affordable fee for initial land registration. However major contributor to this success was the donor community.

Analysis of the reform reveals number of mistakes that were made during the process. In the distribution process, land was considered as means for self-subsistence, not as real estate. Land reform didn't consider the distribution of land on equitable basis. Employers of collective farms were given priority. One argument for the chosen approach is that these people with long-term experience of farming have lost jobs and it was necessary to compensate it somehow. But it wasn't taken into account that this part of the population who received largest share of land parcels, was not flexible to adjust to principles of market economy. May be it would be more equitable to compensate employers of ex-collective farms through reallocating property they have created, and to allocate land on the rest families not according to categories, but other principle, like according to the number of family members. As for the majority of rural households land represents the major source of income regardless whether the members of these households did or did not work in the collective farms.

As a result of land reform land parcels were accessed by rural households who knew how to cultivate it, but were absolutely unprepared to adjust to the market economy principles.

The lease of land was linked with corruption. Influential state officials received the most fertile land parcels. They had neither experience nor interest in farming and sub-lease land. Without adequate irrigation system and technical means, plus non-existence of insurance, inability to pay taxes, sub-lessees themselves don't use land efficiently.

Because of the chosen kind of allocation the average area of the land parcel in private ownership doesn't exceed 0.22 ha, which indicates that the privatized land is very fragmented and is not a subject of interest for banks.

Deficiencies of the privatization process include that the majority of agricultural land parcels are still owned by the state and are leased out and majority of pastures are not privatized.

Part 3. Identification and Characterization of Critical Land Issues in the Country

3.1. Critical problems

Among reforms implemented for the economic stabilization of Georgia, land reform is considered as the most successful of all. Nonetheless, several problems exist that impede the creation of a sound system of land management and use.

a) Underdeveloped agribusiness

Agriculture is important sector of the country's economy. Despite the fact that Georgia has a serious potential for local agriculture demand and export production processing, the government has failed to recognize it as priority field and to embark on measures for the development of this sector.

There are numerous reasons that underlie this problem:

- Low prices on the agricultural produce – because of uncontrolled import of cheap produce;
- The agro-processing industry is not functioning;
- The packing industry does not exist;
- There are not developed transport companies for cargo transportation;
- Insurance for commercial risks cannot be easily obtained;
- Farmers have inadequate access to agricultural means – seed and plant material, machinery, water and so on. The market of these materials does not exist in Georgia due to the high custom duties and other taxes;
- Farmers lack technical knowledge of state-of-the-art agricultural techniques;
- To receive land by lease one has to pay bribes;
- There are no links and feedback between the government and the farmers;
- Unfavorable tax policy – VAT and profit tax do not encourage agricultural productivity;
- High interest rates on credits;
- Limited information for entrepreneurs wishing to receive credit on how to apply for a credit efficiently, and which credit institution is best to approach for their specific needs;
- Unwillingness by banks to accept fragmented agricultural land as collateral.

b) Complicated institutional structures

There are several governmental structures in Georgia dealing with land issues. These are the State Department of Land Management, the Ministry of State Property Management, The Ministry of Agriculture and Food, the Ministry of Urbanization and Construction under which functions the Bureau of Technical Inventorization and the Department of Geodesy and Cartography.

The State Department of Land Management (SDLM) is a major agency in land administration matters. It is headed by a chairman and six deputy-chairmen. The functions of the SDLM include:

- Land registration and cadastre (activities the SDLM is mainly occupied with at present);
- Land valuation;
- Land reform, land arrangement and disputes over property;
- State control over land use and protection, as well as natural resources;
- Land Statistics;

The central office of the SDLM is responsible for developing state land management policies, designing and implementing programs, and assisting in the preparation of legislation on land management issues. Decentralized regional and local offices carry out land registration and cadastre operations. The SDLM doesn't currently carry out land use planning.

One of the SDLM's institutional strengths at present is that it is responsible for both land registration and the cadastre. This combination provides favorable circumstances for coordinating two informational systems on land ownership and ensures that the registration and cadastral systems function effectively and efficiently.

The Ministry of Agriculture and Food is responsible for agrarian reform. It has to formulate agrarian reform policies to be implemented by the SDLM as part of its land reform.

The Ministry of State Property Management auctions out land parcels existing in state ownership.

The Ministry of Urbanization and Construction shares responsibility with the SDLM for land use planning and policy formulation. The Bureau of Technical Inventorization (BTI) is subordinate to the Ministry and has records on real estate.

The State Department of Geodesy and Cartography regulates surveying and mapping activities conducted by state organizations and the private sector.

Often it is very hard for the landowner to understand which agency provides which service. Frequently, the registration of real estate is accomplished not in the Public Registry (in the registration office of State Department of Land Management), but in the Bureau of Technical Inventorization. The information about land is recorded and registered in registration offices, but the information on building-construction is recorded and registered in BTIs. This causes the duplication of the information, in most cases in these agencies take place the existence of mutually exclusive information on one and the same property, which is destroying for the protection of ownership rights and land market. For several years there is a dispute among these agencies about their functions, the information is not being exchanged.

There is no independent agency for registering rights on land and real estate. The specific function for administering and disposing of state property and on the other hand real estate registration function are not differentiated: local registrars are also considered to be deputy heads of SDLM's land management offices, and as a result they are unable to make decisions independently, though they are independently responsible for their actions.

Land management agencies themselves are under double subordination as they are an organic part of the SDLM, and at the same time they are subordinated to local government. For past two years, land management regional offices have been established in the regions. Their heads are persons appointed and lobbied by the proxies of President, and consequently local land management agencies have one more body they must be accountable to. As a result of this overly complicated bureaucratic structure, decisions dealing with serious problems related to land management, disposition and registration, are often delayed, and made in personally favored and non-transparent manner.

The existing situation creates less possibility for transparency and more chances for corruption. Moreover, if we consider low salaries of registration office staff that are frequently not issued for several months, it will be easy to imagine those obstacles that citizens will face in the registration and disposition processes of real estate.

c) Scarce technical and financial capabilities

Since the activation of land reform in 1996, technical and financial support has started to flow. Significant funds have been allocated by international organizations for cadastral as well as registration activities. However, problems related to technical and financial needs still remain unsolved. Incoming donor grants still finance only a small part of the technical equipment needs of the governmental structures such as State Department of Land Management. Regional offices of the State Department of Land Management are poorly equipped, and all land and title information is recorded by hand and maintained in written form, without any computer database. Unfortunately, it is noteworthy that donor assistance is the only substantial source of technical and financial support received by the country's land agencies. The State Department of Land Management does not receive sufficient funds from the State to repair or maintain regional offices, to purchase computers and software, or to create and update comprehensive databases that could provide an accurate picture of land market development in the country.

d) Corruption

Corruption is the most critical problem hampering the successful implementation of economic reforms. Limited access to information, as well as pervasive corruption practices, make it difficult for landowners, entrepreneurs, farmers and other interested parties to overcome artificial barriers that are created by bureaucratic structures. Such impediments emerge when someone who is willing to sell a house or acquire a land parcel goes to a state agency. State bureaucrats are well-schooled in corruption and in creating mechanisms that enable them to extort more money from people.

Transactions such as initial registration, sales, mortgages, and leases of land and real estate involve several state and private agencies. Real property owners, entrepreneurs, farmers and regular citizens are usually mistaken by obtaining too many unneeded documents for the processing of a specific transaction. In some cases, transaction parties register their property at one place, when it should be registered at another. For instance, a citizen who purchases real property may register it with the Bureau of Technical Inventorying, the sole responsibility of which is to provide technical data on the property. In accordance to Georgian law, however, ownership rights to real estate must be registered only at the Public Registry.

Many people do not realize that there are resources, such as Public Registry, where information on every officially registered transaction is available for every interested person. Moreover, those who do know of and use such services usually are improperly subjected to unofficial fees and taxes, and required to pay several times more than the official fee to obtain desired information.

Georgia is a country of agriculture and its main resource is land. Therefore, development of agriculture must be a national priority. However, massive corruption and abuse of power block efforts and attempts to develop agrarian sector in Georgia. Because of the lack of transparency and political will on the part of state officials, credits and investments set aside for the development of agriculture do not reach their goal. Lack of information on the terms for receiving international donor organization grants and favorable credits severely limits farmers to access them.

This situation is extremely difficult in regions, for the reason that there are no good means for circulation of such information in rural areas. This helps reinforce a situation where farmers' rights can be suppressed.

Unfortunately, there are many instances of corruption and extortion of money at various regional governmental agencies and structures, including traffic police and tax service. Farmers are often forced to make unofficial payments of money to tax service officials, traffic policemen, land registrars, and heads of land registration offices.

Corrupt practices result from the limited awareness of farmers as to their rights. This in turn leads to the emergence of many different obstacles farmers may encounter in the course of their activities:

- Biased and uncooperative attitude towards farmers at land management agencies;

- Abuse of authority at regional registrars' offices;
- Limitation of farmers in the process of development of agricultural farming;
- Deception of farmers at tax inspection services;
- Illegal actions by traffic police and constrained activities of farmers in the course of product transportation;
- Bribery during certification of products at markets;
- Illegal treatment and bureaucratic attitude towards farmers at different local governmental bodies.

e) Quality of cadastral and registration information

In the modern world, information is a most valuable asset. Reliable and accurate information is essential for progress in the emerging land market.

Insufficient technical and financial capabilities, and poorly managed statistical data at the Department of Statistics and the State Department of Land Management have resulted in the low quality of available information on the land market. Responsible staff in these departments lacks training necessary for developing modern approaches to information management.

Due to these reasons starting from 1997 seven-donor organizations work in order to bring this system in order, however it is still far from perfection. Despite the fact that USAID Land Market Development Project provides relevant bodies with cadastral information, printed out on paper, along with the digital version, they still do not process and use them. Often the information prepared by the Project is kept in a storage area just for a display and nobody thinks to update it. Such kind of an attitude may place under doubt the justification of the spent money. This concerns to updating the printed and not digital information. In such conditions it is unclear what is going to be done with the digital information acquired as a result of other donors' working.

Despite the substantial financial support, private companies still lack financial and technical means for producing reliable cadastral information. As a result of inaccurate cadastral activities (in particular, inaccurate measurement of the land) it is not possible to verify actual land boundaries, which frequently cause neighbor disputes.

To date the registration offices of State Department of Land Management do not have strength to independently prepare the documentation necessary for registration. Projects of several donor organizations functioning in Georgia are limited by gathering the cadastral information and creating the informational system, but they do not accomplish registration and related works, or if they do it is delayed in time. Unless relevant registration works follows this cadastral works, the information will outdate after certain period of time.

Another problem is the selection of staff. To date about 40 percent of registrars have no relevant qualification, knowledge and experience. Some are not aware with the land-related legislation, which hinders owners as well as the development of civilized land market.

Creation of cadastral and registration systems is still being accomplished in a fragmentary way. Progress made in particular areas (cities, districts, regions) significantly differs from case to case, and it does not refer to effectiveness of the existing cadastre, which lacks features of a unique system of identifying coordinates. There is no doubt that effectiveness of the national land cadastre will increase as more and more territories are covered, and as data are integrated into a unique system. This is anticipated to be fulfilled in 4-5 years time.

A critical problem hindering donors' efforts to establish a unified system of registration is that the registration of rights on real estate is often carried out simultaneously in two agencies – in the registration offices of the SDLM, and in the BTIs, in spite of the fact that law clearly identifies the Public Registry as the exclusive locus for the purpose of land title registration.

The lack of unified informational base creates obstacles to the representatives of banking, insurance and brokerage spheres to obtain the complete information on a property, which is to be mortgaged or sold. Banks do not recognize the information about the property ownership existing in BTIs, which reduces the number of market transactions.

Thus, further efforts have to be directed toward ensuring the availability of accurate cadastral data and clarification of property registration procedures, which will significantly enhance and support the development of a dynamic land market in Georgia.

f) Poor urban and agricultural land management

In the Soviet period there existed mixed state and private ownership on urban territories. Privatization of apartment buildings was carried out without privatization of land underneath building units. Urban land was mainly state-owned. Law on Declaration of Private Ownership on Non-agricultural Land in Use of Physical and Private Legal Entities was determined to speed up the privatization of land underneath and related to privatized commercial and industrial buildings. Law on Administration and Disposition of Non-agricultural Land Existing in State Ownership adopted 1998 determined the privatization of urban land by means of public competition. Law on Urban Land Privatization was the last piece of legislation regulating ownership on urban territories.

Three state agencies are responsible for the privatization of property and land on urban territories. These are: the SDLM, the Ministry of Urbanization and Construction and the Ministry of State Property Management, whether it would be more efficient in terms of more transparent and simplified institutional structure to assign the responsibility over privatization process to the State Department of State Property Management. Municipalities do not own land necessary for the development of public projects, as privatization of state-owned land doesn't envisage the transfer of land to municipalities, but they are directly involved in the privatization process of state-owned land located within the territories under their authority.

As a result of lack of urban development plan and zoning regulations, urban land privatization isn't related to the potential use of privatized land parcels in the future. Thus the privatization price is not linked to the potential of future commercial profit. Nor the privatization agreements obligate the buyers to financially contribute to the development of infrastructure, which is necessary for supporting future development of privatized land. In this situation urban land privatization doesn't take into account the distribution of economic responsibilities and interest between private owner (the benefited party) and municipality.

The issue of self-governance in Georgia has not been decided yet, which diminishes the role of municipalities in the active land management and spatial development of urban areas. The involvement of state agencies in the aspects of land use in the locality doesn't provide the efficient and transparent use of land. It is important that municipalities are independent in the issues of land use within the urban territories, can independently approve and control the urban development plans and projects. State must keep the authority to provide that locally approved projects do not oppose the national interests.

Neither the legal nor institutional frameworks existing in Georgia allow today the efficient management of urban land.

The deficiencies of the privatization process included the uneconomic fragmentation of agricultural land, as a result of which more than 20 percent of productive agricultural land was lost, as today they have to be used for the construction of access roads, for the establishment of boundaries and agricultural fences.

The rural infrastructure is not taken care of. It was built for the operation of large-scale collective farms and it's not efficient for current farming in the small-scale structure. The access roads built during the land reform are in very poor conditions. Irrigation systems are inoperable. The lack of funds doesn't allow its rehabilitation. The water management is not developed. Former Water Users' Association is not functioning. Technical means are out-dated, and farmers have no financial capabilities to replace them.

As a result of ignorance of modern land management practice, today 1/3 of the agricultural land are subject to soil erosion. 7.3 percent of agricultural land turned salty. Because of the absence of proper drainage system nearly 3.6 percent of the agricultural land are becoming bogged up. 5.9 percent of the agricultural land are turning into desert, as irrigation system is not properly functioning. As a result of the mentioned reasons the productivity of these lands are decreasing. Territories of fruit gardens, tea plantations are not cultivated due to the loss of markets. The land protection demands very high expenditures which farmers cannot provide without the assistance.

3.2. The legal framework of property rights

Private ownership rights on property are acknowledged and protected by **Georgian Constitution**. Property is considered inviolable. Article 21 of the Constitution states: "The right to inherit and own property is recognized and guaranteed. The abrogation of the universal right of property, its acquisition, transfer and inheritance is prohibited."

Civil Code also contains regulations with an impact on ownership and ownership rights. These regulations concern legal rights on acquisition, transfer and inheritance of real estate. According to the Civil Code, property is any object and nonmaterial asset, physical and legal entities can own, use, dispose and acquire if it doesn't violate law and doesn't oppose moral principles. The Civil Code ensures the freedom of trading of property rights with the rule established by law. Chapter 3 of the Georgian Civil Code envisages inheritance of ownership rights.

Law on Privatization of State-owned Property of 1997 determines legal, economic, organizational and social principles of privatization of the state-owned property, as well as basic terms of privatization and ensures the purchase of state-owned property by physical and legal persons or their unions. The aim of the law is to ensure formation of such ownership relations that will promote the efficient and socially oriented market economy. This law doesn't regulate privatization of land and state housing funds.

The ownership right on land is further protected by various laws enacted by the Parliament:

Law on Agricultural Land Ownership adopted 1996 regulates relations related to ownership of agricultural land. The aim of the law is a) to legally ensure farms organized based on rational use of land and improve agrarian structure, b) to prevent fragmentation and irrational use of land parcels. The law determines: a) the rule for acquisition and alienation of agricultural land parcels and local estate farms, b) participation of the state in regulation of relations regarding agricultural land parcels. The law states that agricultural land is transferred in ownership only to a citizen of Georgia. A person without Georgian citizenship and citizen of a foreign country shall receive agricultural land only under lease.

Law on Land Registration adopted 1996, regulates rules and terms for the registration of origin, transfer, restriction or suspension of rights to a plot of land and the immovable property associated with land.

Law on Declaration of Private Ownership of Non-agricultural Land in Use of Physical and Private Legal Persons adopted 1998 recognizes ownership rights of these persons on nonagricultural land existing in their use.

In accordance with the existing legislation, the landowner can alienate, or in other words, sell, buy, give as a gift, bequeath, mortgage or lease the land parcel existing in his ownership. The landowners have the right to use the land and related real estate according to their own interests. Ownership of real estate also carries with it certain obligations, however, such as the payment of property taxes, the observance of building and zoning codes and environmental protection laws, the avoidance of unreasonable interference with the rights of neighboring owners, and so forth.

The Georgian legislation (The Constitution of Georgia, Article 21 and the Law on expropriation procedures of ownership for public necessity of 1999) envisages the depriving of ownership through expropriation for social necessity. Expropriation is accomplished on the basis of Presidential Decree and with an accompanying Court decision for the benefit of state body or private legal entity of the private law, who is correspondingly awarded with the right of expropriation.

The expropriation necessary for the social necessity is permissible in order to carry out the following activities:

- Construction of road or main highway;
- Installment of railway tracks;
- Construction of electricity transmission and distribution lines;
- Installment of telephone networks; and
- Other similar projects and activities.

An agency or person, who is exercising this right, must deliver information, which is published in central or relevant local press, to every landowner whose property is subject to expropriation. The authorized Expropriator, who has been awarded with the right of expropriation, must agree in advance upon the amount and timing of the compensation to be paid to the owner of the property.

3.3. The impact of current land issues on the poor

Reforms carried out by the Georgian Government – resulting in the transfer of land into private ownership – have played a definite positive role during the period of crucial economic crisis in the State, and saved the peasantry from starvation. However, the laws passed by the Parliament, as well as the measures taken by the executive authorities, have not been sufficient: so far, poverty in the country has not been reduced to a sufficient degree. What are the reasons for this fact, and what should be done in future?

Traditionally, land has been one of the major capital assets for households. Land has especial importance for rural households, since on average it contributes 2/3 of their income. This source of income is also important for households living in small villages. Nearly ¼ of their income is received from this source. Moreover, approximately 90% of the country's households have some income from land.

Although wages have begun to contribute a relatively greater proportion of the average incomes of Georgians, they still do not represent as important source of income as income from land. At present, wages provide only 26-30 percent of total incomes for Georgians. Furthermore wages represent a less important source of income for rural households, constituting only 10-12 percent of their income, while being more important for urban households, where wages constitute 38-40 percent of their income. One important fact should also be mentioned: from self-employed in agriculture, 80-85 percent work their own land plots.

The above showings indicate the importance of effective land management and complementary reforms in agriculture for the reduction of poverty in the country. Despite the fact that more than half of the population in the state are involved in agriculture, the authorities of Georgia have not adequately recognized agriculture or rural development as priority fields for national investment and policy development. Hence, there is no state policy that would be oriented on the needs of the farmers. The acting legislation and the executive structures are not flexible enough to become a guarantee of land accessibility.

As a result of privatization carried out in Georgia, 70% of agricultural lands still remain in the state ownership. Privatization of only one fourth of the land also resulted in uneconomic fragmentation of land. Because leasing of land has been linked with corruption, smaller farmers were limited in their ability to gain access to larger areas. As a result, peasants do have land, but not enough to engage in truly profitable agricultural activity, since he can hardly manage to feed his own family and doesn't have a surplus of produce for profitable sale. The leased land has tended to fall into the hands of wealthy and/or influential people. In this situation, needy peasants remain as a cheap source of labor, while they have a great potential of becoming wealthy.

There are practically no state subsidies that can be used to "level the playing field". Peasants and other small farmers cannot get the machinery and other devices, fuel, mineral fertilizers, pesticides, good quality seed and plant materials needed to treat the soil thoroughly and obtain a profitable harvest.

Agricultural products processing industries are not functioning and accordingly there is no demand on the products of peasants.

The current taxation system cannot be considered as a mechanism supporting or encouraging further development of the farming in Georgia. VAT on agricultural products discourages farmers from getting more land.

The existing credit system is not appropriate for the development of agriculture: one-year term credits with high interest rates (18% being the lowest in today's credit market) are not attractive to small farmers. Furthermore, neither the land nor the village house owned by the farmers is readily accepted by the banks as collateral. Thus, it becomes impossible for the farmers to obtain credit, even on unfavorable terms.

In cases of natural disasters, the farming business is totally insecure. One form of insurance company activity is lacking in the country: insurance of commercial risk.

The low level of farm management theoretical knowledge and training also hampers the rational use of land by the peasant. There are no consultation services in marketing, planning for the farmers. The principles of land reform and knowledge about his property rights and obligations are not always made clear to the farmer. As Poverty Reduction and Economic Growth Program document reports, "there are nearly one million small farmers in the country. Their work could be much more effective if more attention were paid to their training and education".

The unfavorable social and economic conditions result in psychological problems among farmers, such as Nihilistic approaches to solving the problems, expectation of external help, a common trend in the society that everyday problems will be solved by someone else: i.e., the state has to solve them.

In order to enable land policy to have positive impacts for the poor, agrarian reform is required as the problems associated with rational land use result largely from unfavorable conditions of agriculture sector in the country.

Agrarian reform—if it leads to effective agricultural production and income—has great potential to reduce poverty. If the greatest possible number of small farmers will have an opportunity to make profit using their land, whereas the great number of farmers cannot currently do, it will have a strong influence on reduction of poverty.

Part 4. Characterizing the Recent Status of the Land Market

4.1. General overview of the land market

The transfer of land and related real estate from state possession into private ownership, the legal declaration of the rights and obligations of private ownership, and establishment of a system of simple and efficient land title registration has facilitated the process of formation of Georgia's land/real estate market.

The land market is more actively developing in urban areas. Generally its formation varies across regions or rayons. The dynamic of land market development is higher in those rayons where tourism/resort development is underway, as well as in regions where it is possible to establish agricultural activities that are based on the cultivation (and processing) of high-value agricultural crops.

As of January 25, 2002, land sales increased by 70% compared to the analogous showings of the previous year. Transactions on non-agricultural land have increased from by 68%, whereas transactions accomplished on agricultural land parcels have increased by 71%. The table below depicts the growing tendency of land market development.

Table 1. Data on land sales transactions as of January 2001 and 2002

Year	Number of land sales transactions		
	Total	Non-agricultural land	Agricultural land
As of January,2001	4,456	1,828	2,628
As of January,2002	10,877	4,517	6,357

As a result of privatization about less than 30 percent of agricultural land have been transferred into private ownership. About 35 percent of agricultural land left in state ownership are leased. The leased lands are the best quality land parcels and do not represent the part of the land market. In most cases privileged persons have gotten hold of these lands and do not even cultivate them. To date if an entrepreneur is interested in maintaining the agribusiness and he needs land, it is easier for him to take land in lease through giving the bribes, than to buy land from private owner. In addition the process of leasing the land and then monitoring is very non-transparent and corrupted. Similarly, there are state-owned agricultural land, which are not even leased left out of the market and legislation doesn't envisage the possibility to additionally purchase land from the state. The privatization of those lands will significantly support the development of land market.

The accessibility of the information on real property for sale

The growth of the real estate market will demand access to reliable information on real estate for sale. At present, the most widespread way of obtaining information about real estate is to read advertisements placed in the newspapers. From this point of view, the activity of brokerage firms is also noteworthy. Presently, real estate brokerage firms can be classified into three main groups:

- Well-known agencies, with 8-10 years of working experience, including
  - Members of Real Estate Association of Georgia
  - Independently functioning agencies
- Medium size agencies, which have small staff (usually, about 2-3 agents), small offices, and only 2-3 years of experience
- Officially unregistered brokers
  - Agents, so-called "black brokers" (who work on the street market and have some experience)
  - "Newly baked" brokers, who have decided to work in this field because they have not been able to find any other profitable job. Their experience and knowledge is extremely limited.

The most prestigious agencies (category one) having certain professional experience tend to concentrate their work on the sales of higher-value real estate which tends to yield the best commissions. However, since the majority of the population cannot afford to purchase this kind of property, they are forced to use the services of the non-professional brokers or street brokers. Due to the low professionalism of mediators and their ignorance of the recent changes in land legislation, their information is often inaccurate or not complete, and may lead to the development of legal disputes among parties involved in a particular real estate transaction.

The relevant local government body and the relevant territorial organs of the Ministry of State Property Management provide information about the disposition of state property. Information about any state property which is to be sold through competitive bidding, auction, lease-buy back, or direct sale is published in the official publication of the Ministry of State Property Management, or in the local press (if privatization is accomplished by the territorial

body of the Ministry of State Property Management). At the same time, other means of information can be used. Information should be published at least one month before the date set for the privatization of state property. The published information should include the address and land area covered by the premises to be privatized, a thorough description of the buildings located on them, and the terms for selling the property. In case of necessity, additional information is delivered to the buyer.

The publishing of information on selling of state land through competition or auction is organized by the territorial body of the State Department of Land Management, which in agreement with local architectural agencies, obtains and registers applications from interested purchasers. During the two weeks after receiving an application, the SDLM office informs the applicant through a written notice that its applications have been received. After publishing the information, the SDLM office allows all interested persons to preliminarily acquaint with the land parcel and for this they create necessary conditions.

4.2. Land Registration and cadastre

A land cadastre is a set of data about a) landowners and users, b) the nature of their interest in land (e.g. owner's title, type and duration of rights, restrictions, and responsibilities), and c) land parcels (e.g. location, boundaries, size, and improvements). A cadastre may also contain some other data, such as land value, land use, soil fertility, etc. Therefore it can be a strong and effective tool in the hands of government, society and individual landowners to plan, manage and control land/real estate market.

At present, it is possible to list progress made in recent years towards the creation of a cadastral database:

- Aerial surveys of the major part of the country have been obtained;
- Legal registration of land and property is proceeding intensively; and
- Application of cadastral data for the purposes of physical/town planning, real estate valuation, and bank mortgages has started.

Land registration is one of the crucial components of Georgia's land cadastre. Public Registry should possess all necessary records on the boundaries, as well as the quantitative-qualitative and legal conditions of the land parcel or related immovable property. In accordance with current legislation, legal rights pertaining to the land or related real estate are subject to obligatory registration. State registration in Georgia is accomplished through the unified system of record maintenance determined by law in the Public Registry.

Due to the lack of a public registration system during the early years of the land privatization process in Georgia, landowners were not able to fully protect and use their rights, such as: sales, lease, mortgage and similar rights. In 1996 the Parliament of Georgia adopted the Law "On Land Registration" and later, in 1997, a new Civil Code, which has made possible the conduct of various transactions on land.

To accelerate the registration process, in May 16, 1999 the President of Georgia issued Decree No: 327 "On Urgent Measures for the Initial Registration of Agricultural Land Ownership Rights and Issuance of Registration Certificates to Citizens of Georgia".

On the basis of this Decree, it was made possible to:

- Significantly hasten the process of initial registration of agricultural land parcels and to accomplish the registration process throughout the whole territory of Georgia;
- Greatly reduce the cost to of private owners to complete the initial registration of private ownership right on land, (since the Decree mandated that the initial registration of land parcels for the citizens of Georgia should be accomplished free of charge);
- More easily accomplish legal and unimpeded secondary transactions on agricultural lands (sales, lease, hypothec, etc).

The responsible agency for land registration, as well as land cadastre is SDLM.

The chief registrar of SDLM administers land cadastre and registration. The SDLM has one central office, 62 rayon and 7 urban offices. These offices are supervised by zone registrar, responsible for operations in zone and other registration activities. The distribution of functions between rayon and regional offices is not complete.

There is no fee established for initial registration. The registration fee for secondary registration has been reduced to 7 GEL from 26 GEL, because the latter was considered to be high taking into account the average income of Georgian citizens.

The cheap, fast, effective and simple registration system created in Georgia allows both physical persons, as well as legal entities, to accomplish the unimpeded registration of ownership rights on a specific land parcel, after submitting the relevant documents and paying the fee established by law. However because of corruption and low qualification of registrars, citizens cannot fully benefit from positive outcomes.

4.3. Valuation System

Valuation practices in Georgia are regulated in accordance with the Law on Auditory Activities of 1998. A Statement of Appraisal becomes a legal document only if the appraiser (either a company or individual) is officially licensed by the state. The state licensing body is Council of Audit under the Parliament of Georgia (particularly under the Committee of Budget and Finance). The Council of Audit is the governmental structure responsible for issuing licenses for the exercise of valuation activities.

The Council issues three types of licenses: 1) General Audit; 2) Banking Audit; and 3) Insurance Audit. The last two licenses involve financial audits of banks and insurance companies exclusively, therefore, the License for General Audit covers all other types of audits, starting from the audit of businesses' financial activities to the appraisal of real estate or other property.

In the Georgian legal system, the term "appraisal" is identical to the term "audit. In other words, the entities licensed by the Council are equally eligible to conduct audits of financial statements and to appraise property.

The License for General Audit covers a wide range of activities. Many auditors claim that the structure of licensing is far from being perfect and needs serious reformation. The problem is aggravated by the absence of recognized appraisal standards. Auditors also note that, since low qualifications are widespread, the prestige of the profession and trust of clients is decreasing very rapidly.

There are currently about 400 licensed individuals and about 200 companies that operate under the General Audit License.

Unfortunately, the majority of these license holders have low qualification. These auditors conduct "pro forma" audits for small businesses that are required to include the findings of an independent auditor in their annual financial statements – otherwise, the State tax inspection cannot legally receive their statements. In such cases, the typical auditor charges $25-$100 and signs a standard conclusion without even looking at company's financial documents. Since many small companies exist in Georgia, the demand for such conclusions is large enough to support a fair number of Auditors. Auditors of low qualification make more than 80% of their annual income from this activity.

It is estimated that only about 10% of all licensed Auditors have appropriate professional qualifications and are qualified to perform international quality appraisals. Most of them have either joined an established auditing company or founded their own. Such auditors serve rich companies, international organizations, foreign investors: i.e., those clients who can afford to pay enough to receive professional services.

Auditing companies note that less than 20% of their income is collected from the fees charged for real estate appraisals. Some have mentioned that if modern standards are not introduced and their personnel are not relevantly trained, that share of income is going to decrease due to the low demand. Since recognized standards have not been introduced, today's appraisal practice is based on the roughest calculations and in many cases the final figure is far from being realistic. Such practices have decreased the client's trust in auditors and in the Georgian appraisal practice in general.

Many auditors suffer from the pervasive corruption at the Council of Audit. Illegal practice include forcing potential licensees to pay for training services provided by the Council; afterwards, candidates are forced to pay unofficial fees for passing state examination (actually they have to pay twice – once for written test and again for the verbal exam). The management of Council eagerly receives "gifts" from licensees, and the "privileged" auditors are more welcomed than regular ones after two years, when a license expires.

According to the unofficial information, auditors must spend up to 2 000 GEL ($900) in official and unofficial fees to obtain a license. However, for the consumer, the major problem is not the high fees, but the low qualification of licensees who pay for knowing nothing.

As mentioned above, the Council has its own training program that potential licensees are forced to attend. Auditors note that the low quality of training is offered only for financial audit and not for appraisal practices. Certainly this is natural, as the Council does not have any standards for appraisal, and this is not the problem of the Council only – all auditors admit that there are no recognized standards for conducting appraisals.

The Civil Code of Georgia defines and regulates a number of economic and legal transactions that take place everyday in the country. Today, there are several common transactions in the country that necessitate appraisal service. However, the growing number of real estate and other transactions in Georgia are rarely accomplished with the use of appraisal services.

Number of problems arises from the absence of an appraisal, or the provision of unqualified valuation services. Many of the problems identified below are caused by non-existence of modern appraisal standards in the country.

Prices Understated. Real estate transactions (such as resale, mortgage, lease etc.), when officially registered, oblige one of the parties of transaction to pay 2% of the agreement price to the state budget. In order to minimize the amount of tax payable, the parties engage in unofficial agreement to report reduced agreement prices. Generally, if an appraiser is used, he must participate in this subterfuge.

Market vs. Book Value. Very often investors and other interested parties want to know the value of a certain enterprises' assets. There is a very significant difference between market (real) value and the book value of assets. In many cases book values are significantly overstated, and such figures become useless for investors.

Collateral Value. Through international credit lines and already with their own financial resources, Georgian banks have made credits more readily available to entrepreneurs. All credit transactions involve collateral (real estate is the most common collateral) that is appraised by the credit officers of the banks, even though this is an inherent conflict of interest. Services of independent evaluator are rarely, if ever, used.

Other Activities. There are other activities that currently use appraiser's service, but unfortunately these services are generally conducted by unqualified personnel. Such activities are foundation/liquidation of companies, court decisions, heritage, expropriation etc.

Considering the fact, that the number of real estate transactions is increasing, the problems described above are going to become more acute.

4.4. Financial services

<u>The use of non-agricultural and agricultural land as security and for credit</u>

As a result of successful implementation of land reform, land and real estate has increasingly become part of the market turnover as liquid assets. As a result, banks and credit associations

have gotten more actively involved in the land market. A significant position within the credit portfolios of the leading banks of Georgia is currently occupied by land and related real estate, which represent their main guarantee for loans.

Funds received based on a hypothec agreement enable owners to upgrade technical means, purchase necessary raw materials, and expand their farms or their production process.

Since enactment of the relevant legislative basis, in particular the "Law On Declaration of Private Ownership of Non-agricultural Land in Use of Physical and Private Legal Persons," the total number of the hypothec loans on urban land issued by Georgian banks by the end of years 1999, 2000 and 2001 is given in Table 1.

Table 1. Hypothec loans issued by the end of years 1999, 2000 and 2001

	Since enactment of the Law – by the end of 1999	By the end of 2000	By the end of 2001	January 2002
Tbilisi	435	904	1,745	6,983
Rayons	44	89	728	2,627
Total	479	993	2,473	9,610

In Table 2 is given the number of hypothec loans for each year from enactment of the legislative basis to date:

Table 2. Hypothec loans for each year from enactment of the legislative basis to date

	Oct. 98 – Oct. 99	Oct.99 – Jan. 00	Jan. 00 – Jan. 01	Jan. 01- Jan. 02	Total
Tbilisi	435	469	841	5,238	6,983
Rayons	44	45	639	1,899	2,627
Total	479	514	1,480	7,137	9,610

By years, the following percentage share of issued hypothec loans is covered by Tbilisi:

Oct. 98 - Oct. 99 - 90.81%
Oct. 99 - Jan. 00 - 91.25%
Jan. 00 - Jan. 01 - 45.71%
Jan. 01 - Jan. 02 - 73.39%

Despite the fact that the larger share of financial capital issued on the real estate market as hypothec loans is accumulated in the capital, Tbilisi, the regions of the country are also

becoming more involved in this process. If in 1999 the total number of hypothec loans issued in regions was 44, by January 25 of 2002 this number increased to 1,899.

It is noteworthy that banks are more interested only in non-agricultural land. Agricultural land existing in ownership of farmers and village houses are only rarely accepted by banks as collateral.

For the past several years, six branch offices of the ACDI/VOCA--a private, nonprofit organization offering favorable credits for the development of agriculture—have been operating throughout Georgia. However, one-year credits with an 18% annual interest rate are still not adequate for the financing needs of most peasants and farmers, since few can afford them.

Taxation system

Taxation legislation has been subject to frequent amendments. As a result it's no longer systemized legal document. Its unique characteristic is confusing and complex language that leads to legal disputes between Tax Department and taxpayers. The acting taxation system cannot be considered as a mechanism supporting further development of the farming in Georgia. Since on the basis of legislation the farmer, who will decide to process his own produce, to package it, to label it and to sell it, will be taxed as an entrepreneur and will have to pay 20 percent of his produce as VAT tax. Last year minister of Agriculture and Food managed to lobby that the amount of turnover subject to VAT taxation be increased from 24,000 to 100,000 GEL, which has been a significant relief for farmers, especially for small farmers. Furthermore the farmer has to pay another 20 percent of his profit. Such an environment limits he farmer in increasing the size of is farm, on the one hand, and restricts the owners of small processing ventures, on the other.

The practice of neighbor countries can be used as an example for establishing liberal tax policy in Georgia. In Azerbaijan farmer has to pay only one fixed land tax. Apart from this, custom duty on chemical means is equal to zero. The same tariff rate is established in Armenia. Farmers in Turkey also benefit from favorable tax policy and subsides. It is obvious that agricultural produce of these farmers is cheaper and destroys markets for the Georgian products. In Georgia custom duty on the import of chemical means equals 34 percent, to import of fuel applies custom duty plus excise tax.

The Tax Code of Georgia establishes land and property taxes. The property tax is related to possession of ownership. The tax is calculated and established by the tax inspection department.

The amount of the property tax is different for persons and legal entities.

In case of private (physical) persons, the property tax is calculated based on the inventorization value (not the market value) of the property. Criteria for establishing the inventorization value are determined by the body of local self-governance. Relevant criteria include the replacement of the real estate according to square meters, i.e. the inventorization

cost of one square meter is determined. Tax inspection evaluates property based on the criteria elaborated by the body of local self-governance and then determines the tax.

The annual amount of the property tax is 0.1% of the inventorization value of the property. Payment is made in two equal parts, by June 15 and October 15 of the tax year.

Legal entities pay the property tax on the balance value of the movable and immovable property, as shown on their accounting balance. The enterprise property tax amounts to 1% of the total balance value of the property. Payment is done once a quarter, in equal parts.

The property tax does not include the land tax, which is paid separately. The land tax rates are determined according to the categories of non-agricultural and agricultural land and relevant zoning classifications. Annual land taxes on non-agricultural land vary from 12 to 36 tetris (smaller unit of GEL) per 1 square meter. Base rates of the annual tax on agricultural land are differentiated according to administrative units and are determined per hectare in GEL. The land tax is calculated by multiplying the base rate by area of agricultural land in hectares and varies according to land function: e.g. pasture – 3 laris, mowing land – 6 laris, as to the annual tax on arable land, it equals the average of 36 laris per hectare.

In accordance with existing legislation, in order to register the ownership right, an owner needs to fully cover the land tax, including the debt of previous years. Existing legislation does not envisage any benefits, from the point of view of covering the land tax stage by stage. In frequent cases, it is hard for the owner to cover the land tax of previous years at once, and he is obliged to decline to privatize land parcel in use and register his ownership rights.

Investment climate

Attracting investments is the most important pre-condition for the economic revival of the country and its further development, preceding from the fact that it is the direct and effective way of overcoming the crisis.

At the initial stage of political and economic reforms, Georgia's investment policy was oriented to the foreign investors, proceeding from the fact that local investors had very little resource possibilities. For this purpose, on June 30, 1995 there was elaborated a "Law On Foreign Investments," according to which the favorable tax benefits were extended only on the foreign investors and enterprises founded through foreign investments. This differentiation between foreign and local investors has resulted in:

- Harm to the interests of local investors, particularly small investors;
- Encouraging the flow of domestic capital to foreign countries;
- Significant reduction of competitiveness of those enterprises functioning without the aid of foreign investments.

These factors served as pre-condition for the legislative changes, as a result of which foreign investors have the same rights and protections as "physical persons and legal entities of Georgia". All the tax incentives were abolished. The "Law on Support and Guarantees of

Investment Activities," adopted in 1996 and amended in 1998, protects foreign investments from discrimination. The foreign investor independently determines the volume of investments and sphere of investing. He is granted with the guaranteed right to accomplish the repatriation of gained profit, other finances and owned property to the foreign country.

Any investor can open the bank account in GEL, as well as in foreign currency, purchase the assets and securities, and acquire credit from local, as well as foreign banks.

Under the Investment Law the investment itself includes money, stocks and other securities, chattel and real estate, the right of usage of the land and other natural resources (including concessions), patents, licenses, now-how, experience and other intellectual property, as well as other property or intellectual valuables and rights.

Unlike local investors, law does not award foreign investors with agricultural land ownership right. Whereas the number of laws, having branch specificity, regulate the activity in the spheres of agriculture, energy, transport and tourism. Also, the legislation determines such spheres of activity, where is prohibited the accomplishment of investments.

The rights of foreign investors are protected by international agreements as well. Georgia has signed agreements with various countries "On the Protection and Encouragement of Foreign Investments". The total amount of investment in the agricultural sector has been very low for the past 10 years. A larger investment share out of the total amount comes on transport, warehousing and communications. The process of real estate privatization without land hindered attracting local investments in agricultural sector. Later this situation was corrected and currently remaining objects are being privatized along with the land parcels located underneath these objects.

There are many potential areas in the country in terms of attracting investments and credits for the development of businesses. Though unstable social-economic situation, non-existence of political will and civil tension cannot create favorable conditions.

Another hindering reason for attracting the investments and maintaining them is the criminal situation existing in the country. Entrepreneurs, businessmen and investors do not feel protected by the state. There are frequent cases of physical assaults, kidnapping for the purpose of money extortion. Police cannot solve any case of kidnapping, which creates a doubt in the public that police and law enforcement bodies are involved and interested in those kidnappings.

If the state will not take urgent measures for guaranteeing the safety of individuals, including structural reforming of the law enforcement bodies, even local investors as well as foreign investors will be discouraged to carry out their activities on the territory of Georgia.

Part 5. Integrating Land Issues into the Broader Strategy of Country Development

5.1. Overall land policy

Land privatization has generally been considered as a significant and successful reform of independent Georgia. Acknowledgement of private ownership rights on land is an important step forward towards the construction of a free democratic state and the development of a viable market economy.

While many improvements are still needed, Georgia has nevertheless achieved a significant success in the establishment of a legislative and regulatory environment for the perfection and protection of property rights. Laws have been adopted which acknowledge and protect private property rights on land and, at the same time, create favorable pre-conditions for the establishment of functioning land market.

Unfortunately, a broader policy vision targeted on the creation of a comprehensive land management system still does not exist in the country. In 2001, the State Chamber of Control of Georgia inspected the legality and effectiveness of the use of unified fund of land in 1995-2000. The work of all state agencies has been assessed unsatisfactorily. As the Chamber of Control concluded it, the elaboration and implementation of unified state policy of land management has not been achieved.

Often the relevant state agencies ignore the requirements of existing legislation during the decisions made related to the use of unified fund of land. Frequently, established standards of land allocation, function change, or transference through the law are ignored or violated. There are crude violations in leasing of agricultural land, as well as in registration and collection of the lease payment. The local bodies disposing of such agricultural land condone and even encourage the law violations committed by lessees.

In 1995-2000, local governing bodies, with the consent of the State Department of Land Management, have transferred tens of thousands of hectares of highly intensive category lands into comparatively low category lands without carrying out any laboratory or other scientific researches preliminarily.

The Georgian law "On Administration and Disposition of State-owned Non-agricultural Land" has also been massively violated. The local Commissions on Management and Disposal of Non-agricultural Lands do not follow the competition and auction principles. The above-mentioned environment facilitates the creation of careless, non-economical, and in certain case illegal attitudes towards the land fund.

In the absence of a unified state policy of land management, the national strategy of Georgia's land reform program is no more than the sum of current and planned international donor projects functioning in the sphere of land management.

5.2. Integrating land issues into National Strategy of Poverty Reduction and Economic Growth

In Soviet times absolute poverty was rare in Georgia. The breakdown of the Soviet system not only exacerbated the living conditions of poor, but also created a significant number of newly impoverished households. Disruption of production and trade, hyperinflation, massive unemployment, energy crisis, civil war and forced migration from conflict regions, led to massive poverty. At present more than 60 percent of the population is subsisting below the living minimum. Benefits of social security provided by the state are too small to provide assistance compatible with the current needs of the average Georgian citizens.

Poverty has significantly increased in rural areas. Social infrastructure has suffered a heavy blow. In many villages, day care centers, school and hospitals, have been closed. Road building and repair has been neglected.

The existing poverty rate in country and its severity indicates the necessity to approach this problem from a long-term perspective, in order to fully and effectively address the issue. This process is closely related to the joint initiative of the World Bank and International Monetary Fund called "Highly Indebted Poor Countries" Initiative and the program of the IMF in Georgia (PRGF). The program began to be implemented on the basis of the Interim Document of Poverty Reduction and Economic Growth Program of Georgia worked out by the Georgian Government with the support of the society at large and approved on November 28,2000. On January 12,2001 the interim document was approved by World Bank and IMF and 3-year program – PREGF was supported, that allowed country to receive 141 billion dollars of favorable credit. The Georgian Government with support of the international organizations and society at large, in line with Interim Document of PRGF, prepared the Poverty Reduction and Economic Growth Program of Georgia, main goal of which is the elimination of poverty, support to economic growth, improvement of social conditions, raising the living standards of the population and ensuring the participation of poor citizens in the country's development process.

Primary objectives highlighted in the program are:

- Rapid and sustainable economic growth;
- Creation of job opportunities in legal sector of the economy;
- Effective and fair distribution of resources created in the country.

This program is Georgia's comprehensive short-term as well as long-term strategy for overcoming the social-economic crisis in the country and supporting its further development.

At this point in time, this program is only a discussion document prepared by special working group and provided for consideration to society at large. It must now be made operational, with specific assignments of responsibility to State authorities, private parties, and international donors. In addition to the assignment (and acceptance) of such responsibility, clear and measurable targets need to be established, and concrete allocations of budgetary resources will also be needed to convert the "paper plan" into a realistic plan for action.

Statements from non-governmental organizations, local and foreign experts, donor organizations, and citizens will be considered in drafting the final strategic document of Poverty Reduction and Economic Growth Program, the implementation of which will serve to overcome the existing social-economic crisis and ensure economic development.

For the purpose of the Poverty Reduction and Economic Growth Program, special attention must be paid to the following land management measures:

- Undertake further privatization of vacant state-owned agricultural lands - total area 100.6 thousand hectares, of which: 48.0 thousand are arable land, 20.7 thousand hectares - land under perennials, and 31.9 thousand hectares - grasslands;
- Undertake privatization through purchasing of rented agricultural lands, which were leased by the State - total area 259.7 thousand hectares, of which: 178 thousand hectares area arable land, 22.6 thousand hectares land under perennials, and 59.1thousand hectares - grasslands;
- Introduce a relevant cadastre and registration system for the country and further improve the corresponding legislative base;
- Elaborate the State's targeted program of soil fertility upgrading and identify sources of finance;
- Develop a viable land and real estate market through the involvement of banking and insurance system and establishment of private institutions of real estate evaluators, soil specialists, surveyors and lawyers.

Effective land policy can be a foundation for bringing about renewed agricultural growth. Deriving from the volume of agriculture and the number of people employed in it, PRGP recognizes development of this sector as having an important role in the economic growth of the country. Since agriculture and agricultural business represent one of the major sources of income of the population, agrarian reforms along with measure for improved land management are considered to be important factors for alleviating rural poverty.

Main directions for development of the agriculture sector, as highlighted in the document, are:

- Develop rural infrastructure and re-equipment and restoration of inputs and material-technical basis. Taking into consideration the lack of State financial resources, practical steps towards attraction of foreign investments should be made in order to ensure rehabilitation of irrigation and drainage nets, main structures, magisterial and distribution channels, and pumping stations.
- Establish Water Users Associations (WUA) that will privatize small farmland schemes on the first stage. The next step requires privatization of secondary schemes by WUAs. Hence, the State will preserve its responsibility on maintaining only the main schemes that will save significant financial resources.
- The material-technical basis is in a distressing situation and it requires provision of agricultural machinery and trailers for farmers in the framework of active participation of donor countries and organizations; it is also important to establish a favorable business environment for private investments and to focus on purchasing of large amounts of comparatively cheap and qualitative agricultural machinery, that will give

possibility to service-centers to renovate depreciated machinery in several years. Establishment of private and mixed service-centers in the regions will be useful for this purpose.

- The development of agro-processing enterprises, which represent a link between farmers and credit institutions, is also a measure of great importance. Attention should be paid to the enlargement of the local goods market that can be achieved through a policy oriented on improving product quality and safety. It is essential to strictly control useful and dangerous material tolerance in the products.
- In order to preserve soil fertility it is necessary to conduct soil research and to develop appropriate recommendations. It is essential to use efficiently agricultural machinery and technologies, to introduce crop rotation, proper utilization and protection of soil, and to elaborate a seed rotation system suitable for small farms.
- The formation of a Rural Credit Policy is a means to promote sustainable entity formation, to establish Guarantee Funds, to raise the interest of Credit Unions' towards the Agriculture Sector, and to introduce insurance mechanisms, etc. This will reduce the risk factor that is a heavy burden on poor people employed in the Sector. Stimulation of the process for creation of rural savings and re-investment should be ensured.
- It is reasonable to optimize existing tax and customs regime in accordance with the WTO regulations.
- It is necessary to conduct a targeted regional policy envisaging specificities of the Sector development within a regional framework. Establishment of regional and district consulting centers for farmers will increase business awareness of micro, small and medium enterprise holders (including farmers). Special attention should be paid to the elaboration of special program of poverty elimination in highland regions and its phased implementation.

One of the priority directions of economic reform proceeding in the country is considered to be restructuring of the agrarian sector and land reform. Efforts to making the farmer's labor easier and making his farm more profitable will be the basis of poverty reduction.

5.3. The degree of coordination between and support from the donor community

The donor community has made an enormous contribution to the progress Georgia has achieved in the privatization of land, in creating and developing an infrastructure for the registration of rights on immovable property, and for the emerging land market.

The USAID Land Market Development Project in Georgia commenced in October 1997 as part of USAID Caucasus Mission program which promotes a stable, prosperous market-oriented economy that empowers citizens, is governed by rule of law, and promotes basic welfare. The initial phase of the project focused on assisting the Georgia SDLM and other government bodies to form and develop the legal and regulatory framework for land privatization and registration. The objectives of the project also included:

- Supporting the privatization of land and developing registration and titling procedures;
- Constituency building and provision of public education related to land privatization.

The initial works of the USAID included participation in the process of initial registration of agricultural land parcels previously allocated on the basis of 1992 land reform, funding of cadastral surveys, preparation of documentation and issuance of ownership certificate to owner.

Private companies that cooperate as contractors with USAID Land Management Project engage in actual activities. Works considered by Land Market Development Project cover almost the total territory of the country, particularly 51 rayons, including highlands.

During the initial phase of work (to the end of 2000), the USAID contractor was Booz-Allen and Hamilton Inc - International Management and Consulting Company. At present Georgian Non-governmental Organization, Association for Protection of Landowners' Rights (APLR) and the US based nonprofit organization, Terra Institute, has replaced the mentioned company.

Terra Institute, Ltd. under a Cooperative Agreement with USAID will provide financial and project management development in order to position the Association for Protection of Landowner's Rights (APLR) to assume full operational responsibility for; the registration of ownership of agricultural residential parcels, to continue with public education and land market policy work, and to develop a pilot effort for services to mediate among conflicting parties and resolution of legal difficulties of property owners.

Specific responsibilities of Terra Institute, Ltd. to the APLR will include: 1) financial training; 2) revenue supply, financial monitoring and contracting, 3) APLR capacity building 4) land privatization, legal reform, and land market development support, 5) SRO development support, 6) development of real estate and cadastral services associations and 7) resident advisor support.

APLR is a non-governmental organization, founded on October 1996. The principal objective of the association is to provide support for the protection of landowners' rights in the country. In addition the association works to stimulate the development of land reform and to streamline the legal and regulatory framework. Within the USAID Land Market Development Project Association expanded its activities through the country by establishing the regional offices. The rest of works include completion of Initial Registration of Agricultural Land.

By the end of 2001, with support from AID more than 1 300 000 agricultural land parcels and 9800 enterprise land parcels were registered. Furthermore the sale of 2000 enterprise and 3700 agricultural land parcels was supported.

Along with USAID, Georgia receives support from five international donor organizations and countries:

- Cadastre and Land Register Project of Kreditanstalt für Wiederaufbau (KfW) (2000-2006) . The funding of base mapping, cadastral surveys and the establishment of six regional centres.

- Agricultural Development Project of the World Bank and the International Fund for Agricultural Development (IFAD) (1997-2002, possibly extended to 2004). The funding of base mapping, cadastral surveying and registration, and the refurbishment of offices in two rayons.
- Land Management Project (1998-2002) by the United Nations Development Programme (UNDP) and the European Union (EU). The funding of cadastral surveying and registration in one district, software development and the refurbishment of 11 rayon offices. The EU is covering the Government's contribution under its Food Security Programme.
- German Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit, GTZ) (2001-2002, possibly extended to 2004). The funding of cadastral surveying and registration in Tbilisi.
- Swedish International Development Cooperation Agency (SIDA) (2000-2002). The funding of capacity building by establishing a training centre to provide courses to SDLM employees on land legislation, land registration, land information system (LIS), cadastral surveys, valuation and taxation, credit marketing, and office management.

One project that terminated in 2001 was funded by European Commission and granted financial support to the State Department of Land Management. The total of about 11,400,000 GEL was provided to the SDLM to support in the implementation of registration system and encouragement of land market development.

The coordination of donors' projects is the function of State Department of Land Management. The coordination is carried out on the basis of systematic meetings of the representatives of the projects of donor organizations. Projects have strictly determined the sphere and field of their activity. Unfortunately, yet there does not exist a unified cadastral and registration concept and system and each project of donor organization tries to make contribution in the construction of this system. To date it is already achieved that the donors' activities, the spheres and works do not overlap. Unfortunately, in spite of the fact that six donors work on the land issues in Georgia, still there are left certain components of the registration and cadastral system, which cannot be accomplished by the Department independently in the future. The more coordination is necessary, as well as, the change of projects' plans and targets, in order to establish unified cadastral and registration system.

Part 6. Conclusions and Recommendations

6.1. The Policy and Regulatory Framework

6.1.1. The legislative framework of secured property rights

The successful outcomes of the land reform carried out in Georgia included the formation of relevant legal framework for the exercise of ownership rights on land.

Ownership rights on property are recognized and guaranteed by the Constitution of Georgia and the Civil Code of Georgia that ensures freedom of trading of property rights by individuals or legal entities engaging in sales or lease transactions. Also it envisages the right to inherit property rights. However the legislation (Constitution of Georgia, Article 21 and the Law on Expropriation Procedures of Ownership for Public Necessity, 1999) considers the possibility of expropriating property for public necessity. The ownership rights on land are protected by laws: on Agricultural Land Ownership adopted 1996, on Land Registration of 1996 and Law on Declaration of Private Ownership of Non-agricultural Land in Use of Physical and Private Legal Persons adopted 1998. Recently the Law on the Privatization of Agricultural Land Existing in State Ownership has been drafted for parliamentary consideration.

The existing legislative framework allows unimpeded exercise of property rights including rights on land and creates favorable pre-conditions for the establishment of viable land market.

Recommendations:
No further action needed to assure basic legal protection of property ownership rights. Association for the Protection of Landowners' Rights has to make efforts to actively lobby the draft law in legislature.

6.1.2. Agricultural and urban land management policy

State does not have the unified program of land management. The national strategy of Georgia's land reform is just the sum of current and planned international projects. The Poverty Reduction and Economic Growth Program of Georgia incorporates measures for improved land management as part of the agrarian reforms prioritised by the program, however it is more essential that this broad strategy be transferred into specific programs.

Recommendations:
To assign the responsibility of drafting the strategic plan for the implementation of measures incorporated into Poverty Reduction and Economic Growth Program of Georgia to the State Department of Land Management with agreement of Ministry of State Property Management, Ministry of Urbanization and Construction and Ministry of Food and Agriculture. This can be achieved by setting the timeframe for the submission of the plan and organizing the discussion and coordination meetings of the involved parties.

Drafting the strategic plan for improved land administration will require the broad inter-ministerial as well as civil society and citizen support and coordination and accordingly the interests of the parties have to be satisfied. Significant attention has to be paid to the involvement of non-governmental organizations in the process.

<u>The strategic plan should:</u>

- Identify overall political goals and strategies, and spell out priorities;
- Identify needs and priorities for the legal framework;

- Identify an appropriate distribution of responsibilities among ministries, public agencies at different levels of government and the private sector and propose changes to the institutional structure;
- Propose implementation plan with timetable and budget.

State policy has to consider the decentralization of functions to be carried out for improved land management policy and the establishment of non-governmental organizations in cities or villages that will play important role in the development of local infrastructure and will assist local population in solving the problems. This process is already under way and it is necessary to intensify it. Non-governmental organizations have gained substantial professional experience of working with foreign projects and it is necessary to involve them in reforms and ongoing processes.

6.1.3. The privatization of the agricultural land remaining in the state ownership

As a result of privatization only about less than 30 percent of the agricultural land has been transferred into private ownership. 36 percent are leased out by the state and the rest are neither leased, nor privatized, they just remain in the state ownership.

Today these land parcels remaining in the state ownership are excluded from the land market and do not represent the objects of the market transactions. Those 36 percent of the agricultural land are of high quality and were initially accessed by the influential people and the heads of former collective farms. In most cases they don't cultivate land and sub-lease for long-term period of 49 years. The exclusion of these fertile land parcels from land market will significantly damage the national economy.

Recommendations:

It's essential to privatize agricultural land remaining in the state ownership in the shortest period, as it will support the further development of farming in the country. Today 80 percent of the active population in the country are self-employed in the agriculture and the transfer of land parcels to their private ownership will greatly facilitate the progress in overcoming the rural poverty. Privatization coupled with the liberal tax policy and favorable investment policy will benefit the population and country's economy.

Other recommended measures include:

- Actively lobby the approval of the draft law on the Privatization of Agricultural Land Existing in the State Ownership.
- Initiate public awareness campaign to introduce public with the implications of the new draft law. However the privatization of land should go beyond transferring ownership rights to private persons and take into account the necessity of developing the rural infrastructure.

6.1.4. Secured institutional structures

There remains considerable confusion, with gaps and overlap, in the assignment of responsibilities among state and local agencies responsible for land administration, land management, and land policy development.

Some of the principal problems include the conflicts between the Bureau of Technical Inventorization (BTI) and the Public Registries, and the need to make the land registry independent of political, budgetary, and other pressure or unnecessary constraints.

The SDLM is presently in the process of redistribution of responsibilities between local, rayon and, later on, regional offices.

Recommendations:
Encourage a national policy dialogue on the proper organization and coordination of land cadastre, property title registration, land management and related functions, as a precursor to developing an improved institutional structure. Carefully consider and maximize the role of the private sector and NGOs in an improved institutional context, in cooperation with relevant public agencies.

The SDLM has to make final decision in the shortest period of time on redistribution of responsibilities between local and regional offices. Decision should be based on analysis of the level that envisages the concept of a "front-office/back-office" organization (the front office being small local units for customer services and the back office being bigger regional working groups).

6.1.5. Agricultural products processing industry

Although peasants possess some area of land parcels, they can sell only small fraction about 10-15 percent of the harvest on local markets. In order to market, peasant has to go through many bureaucratic and corruption barriers: tax agencies, traffic police, certification and so on.

In the Soviet period the major means for rural population to market their product was agricultural products processing industry. But nowadays these enterprises have ceased their operation, only the smallest part continue to operate, but with out-dated technique and machinery.

Today imported goods dominate local market, 90 percent of which is more likely to be smuggled and falsified. The price of this produce is so low that local products cannot be competitive, for the production of which entrepreneurs pay large amount of taxes and accordingly the self-value of the products increases.

Recommendations:
Rehabilitation of enterprises and the processing industry will significantly benefit rural population. This will enable them to supply these enterprises with the surplus of produce and get profit. Accordingly it is necessary to support the sale of products produced by these enterprises on both local and foreign markets.

It is important to introduce international standards and experience of certifying agricultural products, so that the export of Georgian produce can be accomplished.

It is necessary to develop transport and packing industry, which will enable the transportation of agricultural produce to neighbouring countries – especially to Russia.

It is true that imported goods have to access market, but state must engage in policy to control the counterfeit and smuggling.

6.1.6. Assistance to the farmers

Currently farmers and villagers have been left without any attention and assistance by the state. Instead of assistance state hinders activities of the farmers.

Rural population has difficulties to treat the soil properly. The existing technique is out-dated. Farmers need to acquire new land cultivating equipment with favorable terms.

Agriculture needs pesticides, fertilizers, seeds and etc. Custom duties on these substances are very high and accordingly only smuggled goods are imported which are in most cases of very poor quality and cause negative externalities for farming.

It is worth mentioning that today Georgian farmers are still trying to continue their farming activities based on old Soviet methods and traditions.

In contrary to Georgia, neighboring countries have more liberal policy toward farmers. The Russian government subsidizes 40 percent of production of seed material. That is the reason why the pesticides and fertilizers produced in Russia are cheaper than in Georgia.

Recommendations:
The state should find some ways to assist farmers in purchasing new equipment, at least through the assistance of various international donors.

It is necessary to reduce custom duties and create market of pesticides, seed material, so that processing and distributing companies can enter Georgian market.

Establish educational-consultation centres, which will assist farmers in planning their activities, farm management, and financial management. They should be better informed about their capabilities, as well as have information on experience of various foreign and local farmers.

6.1.7. Land consolidation

The land area distributed to families during land reform was not exceeding 1.25 ha. One household was allocated 4-5 land parcels located in different areas. As these parcels were not apt to be contiguous, fragmentation resulted. Large number of small inefficient farmers was formed. Fragmented land is of poor quality and is not accepted by banks as collateral. Land consolidation is an effective means to improve agricultural production and working conditions.

Recommendations:

- Set up an inter-ministerial task force for land consolidation ;
- Draft a Land Consolidation Act ;
- Initiate public awareness campaign for the rural population and the decision-makers at various levels to have clear understanding of the potential contribution of land consolidation;
- Key players would have to undergo training in land consolidation and spatial planning ;
- Pilot projects should be carried out to gain experience with the different approaches and procedures in land consolidation at community level.

6.1.8. Rural development

An important precondition for alleviating rural poverty is improvement of the rural infrastructure, which has been deteriorated largely for the next ten years. It will serve as a basis for improving the standard of living in rural areas. In this way it will be possible to stop the migration from rural areas and urbanizing of a few cities.

Recommendations:
The development program for rural areas should contain at least the following elements:
- Building or maintenance of roads, water supply, power supply ;
- Renewal of community facilities, such as school buildings, hospitals, etc. ;
- The development of transport infrastructure ;
- The development of telecommunication facilities ;

6.2. Land Registration and Cadastre

There is no independent agency for land and real estate registration. On one hand the specific function of administering and disposing particular state property and on the other hand land registration function are not differentiated from one another.

The unified system of the registration of property rights has not been maintained as a result of conflicting responsibilities of SDLM and BTIs. Information on land and related building-constructions is spread among registration offices and BTI. There are cases of information duplication, which threatens the reliability of this information about the ownership and endangers owners as well.

The creation of cadastral systems is held in fragmentary way, as particular areas significantly differ from each other, and it doesn't refer to the effectiveness of the existing cadastre, which lacks features of an unique system.

Recommendations:
Establish an independent agency of land registration and cadastre, the registrars of which will not be subject to any pressure and will follow only the rule established by law and not bureaucratic directions.

The issuance of Presidential Decree requiring BTIs to undertake urgent measures for the transferring the data they hold to the SDLM in order to allow the formation of Public Registry as the sole source of public information on real estate.

6.3.Land markets/financial services

6.3.1. Taxation system

Taxation legislation is confusing and complex, as since the adoption of Tax Code huge number of amendments have been incorporated in it each year, so that it's impossible for the taxpayers to keep pace with constant changes.

Tax implications for people involved in agricultural activities are not favorable for the development of farming in the country.

Recommendations:
Involve business associations in cooperation with local and international experts in drafting alternative Tax Code. Free the farmers from value added tax, introduce the progressive profit tax altering the tax brackets.

6.3.2. Credit systems

Credits are hardly accessible for farmers/peasants and demand very high interest rates. Banks do not accept agricultural land as collateral.

Recommendation:

- With the support of National Bank attract the favorable foreign credits at lower interest rate.
- Create the credit institution specializing in funding the agricultural activities.
- Assign the responsibility of managing international grants and credits to the non-governmental organization acting as contractor to the donor organization.
- Promote the development of credit unions.

6.3.4. Valuation system

Council of Audit is a state agency responsible for issuing licenses for valuation activities. One of the problems identified in performance of auditors is the fact that they accept bribes when auditing business financial activities or appraising real estate. Illegal practice also takes place at the Council of Audit, which requires candidates to pay unofficial fees for passing state examination and for training services. General audit – most common type of license covers broad range of activities, granting license holder too much discretion. Wide range of economic and legal transactions require appraisal service, however people avoid to use it, parties in agreement report reduced property prices in order to minimize the amount of tax payable.

Recommendations:

- Specify the activities covered by the General Audit.
- Adopt legislation regulating appraisal activities in separate with audit activities.
- Introduce general appraisal standards, that will assure that appraisal activities be conducted on the basis of some broadly accepted principles, and not on the roughest calculations.

6.3.5. Investment policy

The complex tax policy of the country and hard criminal situation hampers the attraction of investors. Kidnapping takes place frequently. If businessman doesn't have political patronage, he has no chances of successful business. Due to the same reasons internal investments are flowing out of the country.

Law on Support and Guarantees of Investment Activities of 1996 protects foreign investors form discrimination placing foreign and local investors in equal conditions. However deriving from national interests, legislation doesn't allow foreign investors to privatize agricultural land and define areas in which investment activities are restricted. However political instability, civil unrest and poor economic and social conditions in the country hamper attraction of investments.

Recommendations:

State Government and Parliament has to facilitate efforts toward creating the favorable investment environment. Corruption in state agencies has to be diminished or overcome, bureaucratic systems have to be reduced and simplified, executive branch of the government have to be reorganized, donor supported reform programs must be completed, serious police reforms have to be undertaken. Without the above mentioned, investing capital in the country will simply be inexpedient for investors.

Publish material informing interested parties about the particular potential investment areas, introduce interested parties with tax implications they may encounter in the course of their activities, hold and actively participate in international conferences. The Consulting Council of Supporting and Encouraging Investments of Georgia can undertake these measures. Council has to intensify efforts toward perfecting fiscal and tax policy as important preconditions for attractive investment climate, creating favorable economic and legal environment for grants and credits and offering services for interested parties to overcome the bureaucratic and legal barriers.

It is important to facilitate development of insurance companies in the country, that especially will offer insurance service for natural disasters and meteorological phenomena in agriculture sector as well as insuring production risk.

Annex I. Quick links about Georgia

Geography	
Location	Southwestern Asia, bordering the Black Sea, between Turkey and Russia
Area	26,911.32 sq mi 69,700.00 sq km
Climate	warm and pleasant: Mediterranean-like on Black Sea coast
Terrain	largely mountainous with Great Caucasus Mountains in the north and Lesser Caucasus Mountains in the south; Kolkhet'is Dablobi (Kolkhida Lowland) opens to the Black Sea in the west; Mtkvari River Basin in the east; good soils in river valley flood plains, foothills of Kolkhida Lowland
Natural resources	forests, hydropower, manganese deposits, iron ore, copper, minor coal and oil deposits; coastal climate and soils allow for important tea and citrus growth
Land use	*arable land: 11.5%* *permanent crops: 4.3%* *permanent pastures: 25.8%* *forests and woodland: 43%* *other: 15.4%*
People	
Population	4,900,000 (2002 est.)
Age structure	*0-14 years:* 19.59% (male 498,575; female 478,663) *15-64 years:* 67.91% (male 1,632,338; female 1,755,910) *65 years and over:* 12.5% (male 241,824; female 381,975) (2001 est.)
Population growth rate	-0.59% (2001 est.)
Birth rate	11.18 births/1,000 population (2001 est.)
Death rate	14.58 deaths/1,000 population (2001 est.)
Net migration rate	-2.48 migrant(s)/1,000 population (2001 est.)
Life expectancy	*total population:* 64.57 years *male:* 61.04 years *female:* 68.28 years (2001 est.)
Total fertility rate	1.45 children born/woman (2001 est.)
Nationality	Georgian
Ethnic groups	Georgian 70.1%, Armenian 8.1%, Russian 6.3%, Azeri 5.7%, Ossetian 3%, Abkhaz 1.8%, other 5%
Religions	Georgian Orthodox 65%, Muslim 11%, Russian Orthodox 10%, Armenian Apostolic 8%, unknown 6%
Languages	Georgian 71% (official), Russian 9%, Armenian 7%, Azeri 6%, other 7%
Literacy	99% of the total population (1989 est.)
Government	
Government type	Republic

Capital	Tbilisi
Administrative divisions	53 rayons (raionebi, singular - raioni), 9 cities* (k'alak'ebi, singular - k'alak'i), and 2 autonomous republics
Independence	9 April 1991 (from Soviet Union)
Constitution	adopted 17 October 1995
Executive branch	*chief of state:* President Eduard Amvrosiyevich SHEVARDNADZE. The president is both the chief of state and head of government *elections:* president elected by popular vote for a five-year term; election last held 9 April 2000 (next to be held NA 2005)
Legislative branch	Unicameral Parliament
Judicial branch	Supreme Court (judges elected by the Supreme Council on the president's recommendation); Constitutional Court
International organization participation	BSEC, CCC, CE, CIS, EAPC, EBRD, ECE, FAO, IAEA, IBRD, ICAO, ICFTU, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Inmarsat, Interpol, IOC, IOM (observer), ITU, OPCW, OSCE, PFP, UN, UNCTAD, UNESCO, UNIDO, UPU, WHO, WIPO, WMO, WToO, WtrO
Economy	
Overview	Georgia's economy has traditionally revolved around Black Sea tourism; cultivation of citrus fruits, tea, and grapes; mining of manganese and copper; and output of a small industrial sector producing wine, metals, machinery, chemicals, and textiles. The country imports the bulk of its energy needs, including natural gas and oil products. Its only sizable internal energy resource is hydropower. Despite the severe damage the economy has suffered due to civil strife, Georgia, with the help of the IMF and World Bank, has made substantial economic gains since 1995, increasing GDP growth and slashing inflation. The Georgian economy continues to experience large budget deficits due to a failure to collect tax revenues. Georgia also still suffers from energy shortages; it privatized the distribution network in 1998, and deliveries are steadily improving. The country is pinning its hopes for long-term recovery on the development of an international transportation corridor through the key Black Sea ports of Poti and Batumi. The growing trade deficit, continuing problems with tax evasion and corruption, and political uncertainties cloud the short-term economic picture.
GDP	6505,2 million GEL (2001est.)
GDP – real growth rate	4.3% (2001 est.)
GDP – composition by sector	agriculture: 19.2% trade: 12.8% industry: 12.5% transport: 11.0 (2001 est.)
Population below poverty line	60% (2001 est.)
Labor force	3.08 million (1997)
Labor force by occupation	industry 20%, agriculture 40%, services 40% (1999 est.)

Unemployment rate	11.4% (2001 est.)
Budget	*revenues:* 959,7 million GEL *expenditures:* 795,6 million GEL (2001)
Industrial production growth rate	-0.3% (1998 est.)
Electricity production	7.975 billion kWh (1999)
Electricity production by source	*fossil fuel:* 20.38% *hydro:* 79.62% (1999)
Agriculture - products	citrus, grapes, tea, vegetables, potatoes; livestock
Exports	$320,0 million (2001 est.)
Exports - commodities	citrus fruits, tea, wine, other agricultural products; diverse types of machinery and metals; chemicals; fuel reexports; textiles
Imports	$684,1 million (2001 est.)
Imports - commodities	fuel, grain and other foods, machinery and parts, transport equipment
Major trading partners	Turkey 17.3%, Russia 16.4%, Azerbaijan 8.3% (2001 est.)
Debt - external	2 900,5 million GEL (2001)
Currency	lari (GEL)
Exchange rates	$1 - 2.235 (March 2001)

SOURCE: 1.World Factbook [On-line]. Available:
http://www.cia.gov/cia/publications/factbook/geos/gg.html
2. State Department of Statistics. Social-Economic Indicators of Georgia. Tbilisi, 2001.

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2		The Constitution of Georgia. Tbilisi, 2001
3		Tax Code of Georgia. Tbilisi, 2000
4	The State Department of Land Management	The collected legislative articles on Land of Georgia. Tbilisi, 2001
5	FAO and UNDP Land Management Project in Georgia	Strategy for Land Consolidation and improved Land Management in Georgia, pre-feasibility study. Tbilisi, 2001, December
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11	State Department of Land Management	Statistical information on land use, registration and land market

15 October, 2001
APLR Legal Team

Legal Issues Related to Households and Land

This document comments on many interesting issues related to households. Vague provisions and term of the existing legislation often do not give a clear idea of the effects of the land reform on households. It is noteworthy that there existed very meager legal information in connection with households. Of the existing legislation, very few legislative Acts concern households. But despite this, based on generalization of the existing materials and on practice already established as precedents, the legal team managed to conduct a thorough study and cast light upon many interesting issues.

In the study of issues related to households, information is represented in a form which is more understandable and acceptable for the population. Also, the answers are positioned in a way, which allows the reader to see the tendencies of opinion development, based on what preconditions, or on materials received from which agencies the indicated answers were produced. We think that presentation of legal materials in such a way will make it easier for tem to be perceived by persons interested with households issues in the process of land reform.

1. Notion of household

To directly address the notion of household, we tried to directly quote from existing legislation, but we have not been able to find such a normative Act in any legislative Act or government agency (Parliament, Ministry of Agriculture and the SDLM). In connection with this issue, we met at the Parliament of Georgia with the management of the legal department and the department for provision with legislative information, but they were unable even to refer us to any normative Act in connection with households, let alone to provide a definition of the household notion. At the Ministry of Agriculture we had a meeting with the chairman of the department of agriculture and hi deputies, the Head of the legal service of the Ministry and the Head of the department of agrarian reform, who also did not know anything about existance of such a normative Act and who advised us to address the SDLM. Unfortunately, we could not obtain a reliable answer from the SDLM Chief Registrar either. Despite the fact that none of the above-mentioned person knew anything about any legislative Acts that regulate households, they all agreed with the following wording, proceeding from the Land Code and precedent norms, which is given below:

> "A household is a family residing in a village, which is registered in the household journal of the sakrebulo. A household may or may not be involved in farming."

The difference between a household and a family residing in a city may be the following:

a) Unlike families residing in cities, a household may comprise one or several families. For example, one household may consist of:
   - The household, his spouse and their children

- Married sons/daughters, their spouses and children

b) A household may include other persons, who are not family members (E.g. cousins, etc.). In such cases, these persons must be registered in the Sakrebulo household journals as household members.

2. Household membership

Unfortunately, while answering the question of who is a member of a household, we could not quote from any legislative Act (since no such Acts could be found). Nevertheless, we still tried to provide an answer to this question. First of all, we should know, that a household is a rural family, which is slightly different. From the structural point of view, the only difference between an ordinary family, living in a city, and a household, is that the family living in the city is called a family and the family living in the village is called a household. According to Article 1106 of the Civil Code, a family is a voluntary union of a woman and a man, which is registered at a state agency of civil condition. Since a household is a family of specific character, residing in a village, joining it and withdrawing from it takes place in accordance with approximately the same rules, as it happens in case of families living in cities. To make the answer more clear, a person may become a member of a household through the following ways:

a) naturalization (birth);
b) marriage (to one of the household's members);
c) consent of the household head, who lives in a village and is registered in the household journal. This rule is accepted and also functions in practice.

3. Withdrawal from household

In connection with this issue we found only one legislative Act – the Land Code, which concerns withdrawal from a household. According to Article 72 of the indicated Code:

> "During divorce (separation) of a collective farm household, which is registered at the people's delegates' *daba*, village council executive committees, to the newly created farming household is given land, by the general meeting of the collective farm's members, through the rule and within the standard limit envisaged by the collective farm's charter".

Although this article mainly concerns the issue of allocating land to newly formed households and is less related to the procedure (rule) of withdrawal from a household, nevertheless, this Article is still one of the standards, which discusses the issue of withdrawal from a household. In real practice, withdrawal from a household takes place according to the wish of the household members, who are of age. Such cases are more frequent during marriage of a household member (mostly a son/daughter or a grandson/granddaughter), when a new family is created. In any case, withdrawal of a person from a household has to be recorded in the household journal. Namely, the person who has withdrawn from a household has to be withdrawn from the journal of this household and recorded as a new household.

4. Household ownership during land privatization

During land reform, land was distributed both to households and individual persons (citizens and legal entities):

The Decree No. 128, of February 6, 1992, of the Cabinet of Ministers of the Republic of Georgia defines, that in accordance with, "2. Allocation of residential land parcels shall be carried out according to the households recorded by the situation of January 1, 1992. New households established as result of separation after January 1, 1992, shall be satisfied after creation of the land reserve fund for this purpose. Separation of a household takes place in case of existence in it of two or more sons/daughters, who are of age, in this case one of the sons/daughters remains the inheritor of the household and no separate residential land parcel is allocated to him/her. In case of a household with a single child, no separate residential land parcel is allocated".

This Decree clearly confirms that during the process of land reform, which began in 1992, agricultural land was allocated into ownership of households (families residing in villages). As to the households created after January 1, 1992, they would receive land from the land reserve fund. According to the Decree No. 48 and other Decrees of the Cabinet of Ministers, all of the agricultural land existing on territory of Georgia was divided into 3 parts:

a) the first part was included in the state land fund, and this land was not allocated in the reform;
b) the second part was included in the reform fund (this land was allocated) and,
c) the third part was included in the reserve fund (this land was allocated)).

The fact that land was really allocated to households is confirmed also by Article 3 of the same Decree, according to which:

> "If a household turns out to have more residential land parcels compared to the area registered in the land registration bound book, the land parcel which remains after residential land is filled up to the standard maximal area, established by relevant commissions, is transferred to the reserve fund."

This means that the land allotment registration journals ("bound books"), existing in village sakrebulos, record the names of households and the land parcels allocated to them. The excess of parcels registered in the journal is transferred to the reform fund, i.e. given to other persons.

During the process of land reform, land was allocated not only to the persons residing in villages (as households), but also to the persons residing in cities (or rayon centers). This is confirmed by Point 6 of the Decree No. 290 of the Cabinet of Ministers, according to which to the Georgian citizens residing in cities (or rayon centers) were allocated – in suburban areas – 0.15 hectares, in flatland and low mountainous areas – 0.25, and in mountainous areas – up to 1 hectare.

The difference between the land allocated to persons residing in villages and the land allocated to persons residing in cities (rayon centers) lies in the following – the land allocated to the person residing in a village is in ownership of the household of this person (head of the household), i.e. the land is in co-ownership. This person cannot dispose of the land (sell, lease, mortgage, etc.) based only on his/her will. For that it is necessary to obtain consent of the members of his/her household, who are of age. Meanwhile, the land allocated to the person residing in a city (rayon center) is in personal ownership of this person, i.e. the landowner is a single person.

5. Household co-ownership of land

The land allocated to rural residents is in household ownership. This means that this land is not in ownership of only that person, to whom it was allocated. Despite the fact that, through land distribution (reform) list and RDA, land was directly allocated in the name of the head of the household residing in a village, it still will not be considered to be in personal ownership of this person. The land is considered to be in common ownership of the persons included in the household. This means that land is in co-ownership and consequently the members of the household who are of age are authorized to dispose of it, by way of common agreement.

Since all real estate of a household is considered to be in co-ownership of the household members, household ownership may be delimited among the household members, according to shares. Such opportunity is provided by Article 173 of the Civil Code, which states: "Common (shared) ownership is established based on law or transaction". This Article clearly points out that property, existing in co-ownership, may be divided according to shares, without violation of the principle of co-ownership (common ownership). Meaning that household members may have their own personified share in the land existing in common ownership of the household. All members of the household, through common agreement, have the exclusive right to divide the household property existing in co-ownership, into shares and to distribute them between household members. The issues of volume and quantity of shares are also decided by the household itself. Despite division of the land, existing in common ownership of household, into shares, this land is still in private ownership of the household. Consequently, the share are not considered to be private ownership of the household members.

6. Head of household

We have not been able to find a definition of the head of the household in any legislative Act. As to the definition which is accepted in practice, head of the household is the eldest member of the household, who has a certain experience in farming, manages the household, organizes distribution of functions between household members and is registered in the household journal as the head of the household.

7. Inheritance in household

> "Inheritance on common property of a household is opened in the household as of the day of death of the last member of the household" – Article 1323 of the Civil Code.

In case of death of the head of the household, land remains in common ownership of the remaining members of the household. The indicated Article specifies the right of ownership in connection with households. According to Article 1323, in case of death of the head of the household, the issue of inheritance is not raised (in case if the deceased person has household members). The issue of inheritance, in connection with households, is raised after death of the last member of the household. For example, land is allocated to a 3-member household, which includes father, mother and child. In case of death of the father (head of the household), inheritance I not opened. Father's right of ownership on land will be transferred to the mother (wife) and child, i.e. the ownership right will be consolidated. Situation will also be the same in case of death of the wife (mother). Mother's right of ownership on land will be transferred to the child and the child will become the sole owner of the land parcel. Meanwhile, in case of death of the child, there will be raised the issue of transfer of land through inheritance and land will be transferred into ownership of inheritors of the child, based on the law or the will – cousins, etc.

According to Article 14 of the Constitution, " all humans are free by birth and equal before the law, notwithstanding their race, color of skin, language, sex, religion, political or other views, national, ethnic or social affiliation, origin, property or rank, place of residence". This means that in Georgia men and women re equal. Proceeding from here, a head of a household may be a man or a woman. There does not exist any other legislative Act, which establishes any necessity of a head of a household being a man or a woman. Head of a household is traditionally a man. If the male head of a household is not alive anymore or if he is alive, but due to physical or mental state, cannot manage the household and carry out the actions necessary for functioning of the household, then his place may be occupied by his spouse (i.e. a woman).

There have existed and still exist many examples, when women are heads of households as well (if they do not have husbands). Apart from the above, there are also many cases, when a woman is the only member of a household. During land reform, land was allocated exactly in their name. Their names were included in the land distribution (reform) lists and RDAs.

The Other Agricultural Land Reform in Georgia: State Leasing of Land to Private Farmers

Prepared by

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Table of Contents

The Other Agricultural Land Reform in Georgia: State Leasing of Land to Private Farmers
1. Two Land Reforms .....
   1.1 Privatization into Ownership.....
   1.2 The Leasing Option.....
2. Leasing of State-owned Agricultural Land .....
   2.1 Lease Procedures .....
   2.2 Price of A LEASE.....
3. Sources of Information about Leasing Arrangements .....
4. Leasing of Cropped Land .....
   4.1 Types of Lessees .....
   4.2 Periods of Leases of Cropped Land .....
5. Leasing of Pastureland .....
6. Conclusions .....

Tables

Table 1: Privatized, leased, and other state-owned agricultural land in Georgia.....
Table 2: Examples of annual land taxes in selected rayons .....
Table 3: Cropped area by type of lessee and size category (areas in hectares).....
Table 4: Cropped area by year of lease and period of lease (areas in hectares).....
Table 5: Pastureland leases by region (areas in hectares) .....
Table 6: Pastureland leased by different size categories (areas in hectares).....
Table 7: Area of leased pastureland in hectares for different categories of cropped land leases.....

The Other Agricultural Land Reform in Georgia: State Leasing of Land to Private Farmers

1. Two Land Reforms

Total agricultural land in Georgia amounts to about 3 million hectares. There are approximately 795,000 hectares of arable land and nearly 268,000 hectares under perennial crops. Land classified as "mowing" comprises 142,500 hectares,[41] while pastureland occupies almost 1.8 million hectares.

The land tenure situation in 1991 was approximately as follows:[42]

- Nearly 1,300 large collective and state farms cultivated about 3 million ha of agricultural land. About 1 million hectares were arable or perennial land; the rest were mostly pasture and mowing lands.
- About 700,000 farm households cultivated about 15,400 hectares as household gardens plots.

A two-pronged agricultural land reform was devised in Georgia to move toward a market-oriented economy, one prong being the distribution of land parcels of up to 1.25 hectares in ownership to rural families, and the second being the leasing of the remaining state-owned land to physical and legal entities. The land reform program was intended to create a self-maintaining sector of subsistence-oriented small farmers and a market-oriented sector controlled by larger leaseholders.[43]

In countries moving from the socialist model to a market-oriented model based on private enterprise, the privatization programs affecting agricultural land have involved various land tenure arrangements. In Albania, for example, the initial idea was the distribution of land in ownership to the resident families on the cooperatives, which were dissolving in any case, and the retention of land in state farms, which were managed in the interim by the remaining state farm managers, for attracting foreign investors (Bruce et al., 1993). Some leasing to these managers was also done. In the Moldovan example, the kolkhoz and *sovkhoz* land was given in ownership to farm families and to ex-collectives transformed into joint stock companies and other legal "persons" to facilitate this transfer into private ownership of land and still preserve the perceived economies of scale of the ex-kolkhoz and ex-*sovkhoz* (Czaki and Lerman, 2002; and Dumitrasko, 2002).

In Georgia, also, the leasing of state-owned agricultural land to private farmers was done to preserve the economies of scale embodied in the land and water management systems of the former socialist enterprises and to encourage private initiative for market-oriented agricultural production. In the proportion of the total agricultural land area involved, the Georgian land-leasing program provides a significant example for other transition countries. The purpose of this article is to describe the Georgian program for leasing of state-owned

[41] The term "mowing lands" refers to land that cannot be plowed but is more commonly used for uncultivated grasses, which typically are mowed and stored for livestock feed.
[42] From Strubenhoff, 2002, p. 48.
[43] Ebanoidze, 2002, p. 6.

agricultural land to private farmers and to identify some of the achievements and difficulties of that land reform component.

1.1 Privatization into Ownership

The "small parcel" reform under Resolution 48 of January 1992 was planned to transfer ownership of the affected land from the state to households. Under this first reform, about 744,000 ha of agricultural land were distributed in ownership to 1,055,200 families.[44] The average size of these privatized agricultural landholdings varied from 0.3 ha in districts with a low land-man ratio to 1.25 ha in districts with more available land.

1.2 The Leasing Option

In 1996, the second prong of the land reform—the leasing of state-owned agricultural land to private farmers as either physical persons (individuals) or legal persons (limited liability companies and other types of corporate ownership)—officially began. However, the legal authority for leasing state-owned agricultural land has undergone several modifications since the Law on Agricultural Land Leasing was approved. The Civil Code repealed this law in the following year, on 26 June 1997. Subsequently, Presidential Order No. 446 (2 August 1998), "On the Rules for Leasing State-Owned Agricultural Land," in effect brought the 1996 Law on Agricultural Land Leasing back into force.

Table 1 shows that in 2002, 25% of total agricultural land (including pastureland) had been privatized into ownership and 30% remained in state ownership but had been leased to private farmers. About 36% of the country's agricultural land is classified as pastureland, and it remains in state ownership. Almost 10% of the total agricultural land is located in Samachablo and Abkhazia, two regions where state land administration has been limited, and where political conflicts have been problematic.

About 13% the country's arable, mowing, and perennially cropped land that remains in state ownership is not leased, as is 52% of the pastured land (excluding Samachablo and Abkhazia). Some of the unallocated cropland and a small percentage of the unallocated pastureland lie in border areas, particularly along the boundaries with Abkhazia, and Samachablo/South Ossetia.

Most of the unallocated state-owned land (neither privatized nor leased) is classified as pasture—over 1.1 million hectares, including Samachablo and Abkhazia. Such land is often used by communities or groups of families for the pasturing of their livestock and is composed of mountain summer pastures and some winter pastures. An unknown portion of this type of land is simply abandoned and not used for agricultural purposes, largely because it is not suitable for agriculture under present conditions (for example, swampy, un-drained, or degraded land).

[44] Strubenhoff, 2002, p. 20. Due mostly to the civil disturbances that have since affected some parts of the country, not as much land was actually privatized in this program as had been estimated to be in the privatization fund when distribution began.

2. Leasing of State-owned Agricultural Land

Information from the rayon offices of the State Department of Land Management (SDLM),[45] which assisted in the preparation of state agricultural land-lease agreements, indicates that there are an estimated 42,000 leases to physical persons for 464,400 hectares, and an estimated 6,000 leases to legal persons for 438,600 hectares of cultivated agricultural land and pastureland. Adding these two types of leases yields an estimate of 48,000 leases involving 903,000 hectares of state-owned agricultural land, including cultivated land and pastured land.

2.1 Lease Procedures[46]

In order to conduct the process of leasing land in an organized manner, bodies of local self-governance form permanent commissions, which publicize the information on the land parcels subject to being leased and conduct competitions on leasing out the land. Commissions include representatives of various ministries, departments, and local government bodies.

In order to process a lease on state-owned agricultural land, the relevant local government unit must obtain consent from the following national government agencies: the Ministry of Agriculture and Food, the Forestry Department, the Ministry of Environment Protection and Natural Resources, the Department of Geology, the Center of Archeological Research, the Department of Monument Protection, and the Ministry of State Property Management.

Based on a commission's request, relevant *rayon* offices of the SDLM compile plans of the land parcels subject to being leased. Twenty days before holding the competition, the commission broadcasts information on the land parcel. Interested persons have the right to become acquainted with the details indicated including:

1) title of the body of local governance (i.e., title of the lessor);
2) type and terms of the competition;
3) lease payment on the land and method for paying it;
4) final deadline for accepting applications on leases of state-owned land parcels;
5) time and location of holding the competition; and
6) area and description of the land parcel.

The competition can be both "commercial" and "noncommercial." In case of a commercial competition, the lease is awarded to the applicant who offers the highest financial bid. In case of a noncommercial competition, the lease is obtained by the applicant who submits the most satisfactory "business plan." (The commission determines which business plans are suitable.)
The commission, together with the bodies of local governance, determines whether the competition has to be commercial or noncommercial. If there is only one person who is

[45] The SDLM is a central government entity with offices in *rayons*, which assisted with the privatization and leasing programs and which continue to provide technical assistance to local self-governing units pertaining to land matters. The SDLM national office publishes periodic statistics concerning agricultural land uses.
[46] See Tsomaia, 2002, for more information on lease procedures.

willing to lease land, the land is leased to that person. In all other cases it is mandatory to hold a competition.

During processing of lease agreements on state-owned agricultural land, the lessor, considered to be the state, is represented by the body of local government, while the lessee can be represented by a person, group of persons, or a legal entity.

The Presidential Order regulating leases of state-owned agricultural land mandates that no lease agreement may have a lease term longer than 49 years. The length of term of a particular lease is established during the negotiations between the commission and the potential lessee.

The commission picks the winner of the bidding for a lease by a simple majority of votes. Its choice is recorded in a formal protocol, which is signed by all the members of the commission. The commission submits the protocol and the lease plan to the body of local governance whose jurisdiction covers the leased parcel. Within two weeks, that body informs the commission of its decision and identifies the winner. The applicant must be told of the decision of the commission (whether positive or negative) within 10 days. In case of a negative answer, the applicant has the right to appeal the decision to a local court.

After this procedure, a lease agreement between the body of local governance and the competition winner is processed; it is to be registered at the Rayon Public Registry—a unit of the SDLM—within 30 days.

These leasing procedures have been subject to the frequent criticism that their improper application has led to corrupt practices and widespread abuse (see below).

2.2 Price of A LEASE

The lease price should be at least equal to the land tax rate and could be higher. This tax rate, set locally by the *sakrebulo*[47] administration, can range (according to the tax code of 13 June 1997) from 8 to 51 gel[48] per hectare of cropland per year. (By way of comparison, in the outer districts of the city of Tbilisi, the tax rate is .06 gel per square meter, or 600 gel per hectare.) Pastureland is taxed at the rate of 3 gel per hectare.

The principles of calculating and paying the lease rent are vague in practice. Lease payments are paid differently in each *rayon*. For example, in some *rayons* the lessees are paying only the fixed land tax as rent. In other *rayons* the lease rent is added to the fixed land tax; that is, if a lessee has 10 hectares of arable land, he/she pays 10 x 24 (the annual land tax on 1 hectare of land) x 2 per year. According to explanations of registrars, the lease rent cannot be less than the land tax, but how much higher than the land tax seems to be up to the local government entity.

[47] A "sakrebulo" is the smallest land administrative unit. Several *sakrebulos* comprise a *rayon*. Several *rayons* comprise a region.
[48] US$1.00 = 2.15 GEL (Lari).

Other complications exist. In the Senaki Rayon, for example, in addition to the land rent and land tax, there is the "discounted tax," which equals 2% of the lease rent to be paid during the term set by the lease agreement (the property tax related to land lease is determined by Section 8 of the Tax Code of Georgia, Articles 164-169).

The lessee must give the lease payment to the local administration body of the *rayon* whose jurisdiction encompasses the leased parcel. The annual land tax is also determined by that administrative body. Typically agricultural land is divided into categories. Table 2[49] shows the annual land tax per hectare in selected *rayons*.

When the lease price is close to the tax rate, which in theory is around 1% of the "value" of the land, the amount paid to lease the land is in most cases well below the productive potential of the land. If we use the leasing of private land to private lessees as a reference, the rule of thumb is that the price of the lease on a yearly basis should be at least 10% of the value of the land (under conditions of an approximate 7% rate of interest on deposits). This rule of thumb for estimating the value of land comes from the notion that commercially minded landowners will want to recover their investment in buying land within 10 years, or else they can make more money by selling the land and leaving money received from the sale in savings accounts. In the case of establishing an approximate price for state-owned land leasing, the "10% of market value" figure is illustrative, in that the state does not function with the same logic as a private owner of land, and the profitability of agricultural production may not be sufficient to pay high lease rates. But even with this caveat, the Georgian practice of establishing the lease fee to be about equal to the tax rate, which is at best 1% of the market value, even with low agricultural profitability, probably represents a substantial subsidy to the lessees.

One test of this hypothesis of overly low lease prices is to verify whether the lessees of state-owned land can find sublessees who are willing to pay higher rents than what the original lessees pay the state. Such arrangements would be attractive to the original lessees, since they could generate profits without investment in time or money in the farming operation. However, such subleases are illegal without the consent of the SDLM. In no case has such consent been given. Nonetheless, some evidence exists that subleases are common.[50] It is likely, then, that in many lease rates *sakrebulos*, are lower than what people are willing to pay to access land, leading to a loss of revenues for the state and a special subsidy for those fortunate enough to have obtained lease agreements.

3. Sources of Information about Leasing Arrangements

In order to be valid from a legal perspective, all leases are to be registered at the *Rayon* Public Registry, an administrative unit of the SDLM. In fact, only some of the lease agreements are registered, with the original copies kept in many cases only in the office of the Gamgeobeli as well as with the lessees. The Public Registry archives do provide a systematic information source for legally valid lease agreements.

[49] From Tsomaia, 2002.
[50] Strubenhoff, 2002, p. 18.

In 2002, the Association for the Protection of Landowners' Rights (APLR) organized field teams to visit each public registry and gather data on all registered leases. From this information the APLR developed a database pertaining to 13,975 registered leases of state-owned agricultural land that had been registered at the public registries as of mid-2002. This database included 644 registered lease agreements that had been terminated. Of the registered lease agreements, another 36 did not have the total area leased noted in the agreement or did not adequately identify the lessee. Eliminating the 644 terminated leases and the 36 without minimal information leaves 13,295 active, registered lease agreements with applicable minimal information noted.

Using various comparisons between the sample of leases that were registered and the general information from the SDLM, we attempted to estimate how close the APLR sample estimates are to those of the SDLM data on all leases. With the exception of the APLR's finding that 21% of the lease agreements do not specify a term and the SDLM's data not showing such agreements, the two sources of information are fairly close in terms of the percentages of leased land in the three main categories of lease terms across the various regions of the country.

4. Leasing of Cropped Land

There has been a debate about the desirability of continuing the leasing of state-owned agricultural land. Most observers, however, agree that the present system of leasehold administration is not working well. One set of critiques argues for improving the leasehold administration[51] while another set argues for the conversion of leased land into privately owned land. Although various draft legislative ideas have been prepared for the privatization of the leasehold lands, most agree that any such effort should deal only with cropped land—that is, land used for mowing, arable crops, or perennial crops—and should exclude pastureland from privatization. The implementation of a law would probably also involve some restructuring of leases of pastureland, if not actual privatization to individual owners. The following analysis of leased, state-owned agricultural land focuses first on the cropped land and then on the pastureland.

The APLR database of registered leases allows us to focus on areas of leased cropped land and analyze the type of lessee, the period of the leases, and the numbers of leases with different areas of cropped land. There are 10,513 leases in the APLR database that have information about the areas of leased mowing, arable, and/or perennially cropped land. There are 1,667 active, registered leases that are only for pastureland and do not have any cropped land included in the leases (see below for a discussion of leasing of pastureland). There are another 71 lease agreements only for the "other" type of land use category, including in most cases access roads, canals, and other uncultivated land (and in other cases also lakes or ponds), that do not have cropped or pastured land included. Some lease agreements indicate only the total area leased, without showing the type of land involved.

[51] This debate has occurred in several countries, as summarized by Hong and Bourassa (2003) for leasing of state land in urban contexts, and in Stanfield (2000) for leasing of state-owned agricultural land in Trinidad and Tobago.

4.1 Types of Lessees

In broad legal terms, there are two types of lessees: legal persons, and physical persons. Within the "legal person" category are numerous subtypes. Table 3 shows the average amount of cropped land, the actual amount of cropped land, and the number of leases for each type of lessee for different amounts of leased land.

Over 90% of the leases are held by physical persons (including individuals, individual entrepreneurs, and groups of individuals). Some of these leases are relatively large, with nearly 5% held by individuals involving 50 hectares or more and controlling nearly 24% of all cropped land. On the other hand, nearly 62% of all leases are held by individuals in relatively small parcels, controlling less than 10 hectares of cropped land. About 30% of all leases are held by individuals in holdings of less than 3 hectares of cropped land, but these leaseholds control less than 2% of all of the cropped land.

A second type of leasehold is the leasing of public land by some form of public agency, such as Gambeobas, ministries, or education and research centers. These entities represent less than 1% of the leaseholds and control less than 3% of the cropped land. These agencies typically do not have the resources to purchase the land, but they may provide locally important public services. Privatization commissions should have the flexibility to either continue the leasehold arrangements or to transfer the ownership of the land to these entities at low or no cost.

The third type of lessee includes the limited liability companies, stock companies, firms, farms, cooperatives, and other types of "legal persons." These types of lessees tend to control much larger areas of cropped land but are relatively few in number. Those that control more than 50 hectares of land represent only 3% of all lessees but hold over 32% of all cropped land. Due to the amount of cropped land controlled, special attention must be paid to how these types of organizations are treated in the privatization process. Some of them may be inheritors of kolkhoz and sovkhoz lands, though such examples are rumored to be few. Other legal persons are corporate entities, which may be controlled by powerful people and companies that have decided to take control of large areas of cropped land. In some instances it is alleged that these lessees have made significant investments in agricultural enterprises, but in others it seems that they have not used their holdings effectively. There is little systematic evidence on these points, however.

Taken together, the holders of large leases (50 hectares or more of cropped land) represent 8% of the total number of lessees but control 56% of the leased cropped land. This concentration of leased land in the hands of a relatively few lessees could create difficulties for the other households in rural communities. Families that received land in ownership in small parcels during the first phase of the land reform may be restricted in acquiring sufficient land to generate adequate household income.

4.2 Periods of Leases of Cropped Land

An important issue in the privatization of the ownership of state-owned agricultural land held in legal leases is the length of the lease. The longer leases may be difficult to convert into ownership before the end of the prescribed period. The holders of leases with low rental

levels may be generating windfall profits for the lessees, who would be reluctant to terminate the leases and buy the land.

Nearly 70% of the leases are for 10 years or less, and nearly 66% of the cropped land is held in such leases. Those 10-year leases arranged in 1996 and 1997 will be expiring by 2006 or 2007.

Almost 18% of the active leases with land use specified have no period defined, and these leases control about 17% of the total land leased by the state.

As seen in Table 4, the number of leases prepared has been at about the same level every year[52] since the leasing program began in 1996. The number prepared in 2002 is underestimated, since the data were collected in the first six months of that year. About 20% of the land in these leases with year noted is tied up for periods longer than 11 years, mostly for 49 years. On the positive side for the planned privatization program, nearly 80% of the land is leased for periods of 10 years or less.

There are many lease agreements, however, for which there is no date of execution—2,491 in the sample and about 24% of cropped land leases. About 60% of such lease agreements do not define the period of the lease. Lease agreements could be better drawn up.

5. Leasing of Pastureland

While pastureland is presently excluded from discussions about the privatization of state-owned agricultural land, there are an estimated 600,000 hectares of pastureland presently leased and another 1.2 million hectares that have not been allocated under lease agreements. For leases involving cropped land, about 10% also involve pastureland. Pastureland leases are for large extensions of land, averaging 112 hectares per lease; 20% of such leases are for 200 hectares or more. On the other hand, about 35% of the leases involving pastureland are for less than 10 hectares of pasture.

Pastureland is frequently the subject of local disputes, since the tradition has been for communities to organize access to and use of pastureland while leases or other forms of private appropriation of these lands exclude some traditional users.

Pastureland that is managed by individuals or by communities without rules of access and management can deteriorate from overuse, leading to erosion and loss of important land and water resources.

The leases that involve pastureland are found predominantly in Kakheti and Samtskhe-Javakheti regions, which contain over 76% of all leased pastureland. There are both very small and very large areas leased for pasture, as shown in Table 5.

The amount of land leased for pasture varies considerably from lease to lease, with many leases for small amounts of pastureland. Table 6 shows these data. Nearly 80% of the lease agreements do not include any pastureland. However, for those leases that do include pasture,

[52] The valid date of the lease was taken to be the earliest of the three dates, any or all of which were recorded in each lease agreement.

with about one-third involving 100 hectares or more of leased pastures, control nearly 90% of all the leased pastureland.

Lease agreements for the most part deal with cropland, though some of the agreements are for only pastureland and some are for both cropped and pastured land. Table 7 shows that over 74% of pastureland is held in leases with no cropped land. About 10% of total leases, however, involve both cropland and pastureland.

6. Conclusions

The leasing of state-owned agricultural land to private physical and legal persons was begun formally in 1996 and has affected about 30% of the total agricultural land area in about 48,000 leases. The distribution of about 25% of all agricultural land area in ownership to over 1 million families was begun in 1992 to provide emergency access to land for subsistence purposes in times of great turmoil. Retaining agricultural land in state ownership for leasing originally intended to get agricultural land into the hands of market-oriented producers as distinct from the more subsistence-oriented holders of the land given in ownership.

The leasing of state-owned agricultural land has been administered by local self-government entities, with technical support from local employees of the State Department of Land Management. Formal procedures provide for the auctioning of land for lease under the supervision of local commissions, though there are criticisms of the procedures actually used and concern that some privileged people acquired leases in non-transparent ways. The lease rents in most cases are probably set below the price that local producers would be willing to pay, although the crisis in agriculture (low prices, limited markets, difficult transportation) has limited the abilities of people to pay for leasing of land.

Until other data are available, the APLR's database concerning the 13,975 lease agreements registered at the Rayon Public Registries can be considered as representative of the approximately 48,000 leases that the SDLM information shows as existing in 2002. The proportion of leased land in different regions, the proportion leased to physical and legal persons, and the terms of the leases are quite similar in the two sources (the APLR database and the SDLM information). The APLR database allows the following summary description of the achievements and difficulties involved in the program for leasing state-owned agricultural land to private farmers in Georgia.

1. **Small and large holders of leased, cropped land**
   Smaller leases, less than 50 hectares of cropped land, represent 92% of all leases. However, the holders of large leases (50 hectares or more of cropped land) represent 8% of the number of lessees, but control 56% of the leased cropped land. This concentration of leased land in the hands of a relatively few lessees could create difficulties for other households in rural communities, since the land distributed in ownership resulted in very small holdings.

2. **Lease periods for leases of cropped land**
   Nearly 70% of the leases are for 10 years or less, and nearly 66% of the cropped land is held in such leases. Those 10-year leases arranged in 1996 and 1997 will be expiring by 2006 or 2007. Almost 18% of the active leases with land use specified have no period defined, and these leases control about 17% of the total land leased by the state.

3. State-owned pastureland.

There are an estimated 600,000 hectares of pastureland presently leased and another 1.2 million hectares that have not been allocated under lease agreements. For leases involving cropped land, about 10% also involve pastureland. Pastureland leases are for large extensions of land, averaging 112 hectares per lease; 20% of such leases are for 200 hectares or more. On the other hand, about 35% of the leases involving pastureland are for less than 10 hectares of pasture.

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Table 7: Privatized, leased, and other state-owned agricultural land in Georgia

Classes of land	Total 1985	Total 2002		Privatized into ownership (excluding Samachablo and Abkhazia 2002		Leased (excluding Samachablo and Abkhazia) 2002		Other ag lands remaining in state ownership (excluding Samachablo and Abkhazia) 2002		Agricultural lands in Samachablo and Abkhazia 2002	
	(000s ha)	(000s ha)	%	(000s ha)	%	(000s ha)	%	(000s ha)	%	(000s ha)	%
Total ag. land	2,991.0	3,022.7	100	743.7	24.6	903	29.9	1,100.8	36.4	275.2	9.1
Arable	783.2	795.3	100	427.3	53.7	230.5	29	89.8	11.3	47.7	6
Perennial	347	267.9	100	171.4	64	26.7	10	25.6	9.6	44.2	16.5
Mowing	173	142.5	100	41.9	29.4	45.8	32.1	44.8	31.5	10	7
Subtotal, cropped	**1,303.2**	**1,205.7**	100	**640.6**	53.1	**303**	25.1	**160.2**	13.3	**101.9**	8.5
Pasture	1,672.4	1,797.2	100	83.3	4.6	600	33.4	940.6	52.4	173.3	9.6
House parcels	15.4	19.8	100	19.8	100	0	0	0	0	0	0

Source: State Department of Land Management (SDLM), Tbilisi, Georgia, April 2002.

Table 8: Examples of annual land taxes in selected rayons

#	Rayon	Annual tax for 1 ha land (GEL)			
		Arable	**Perennial plants**	**Mowing**	**Pasture**
1	Abasha	I – 34 II – 25 III – 18	I – 34 II – 25 III – 18	Information not available	3
2	Bolnisi	Irrigated – 52 Non irrigated – 35	Irrigated – 52 Non irrigated – 35	6	3
3	Martvili	23.5	23.5	Information not available	2 1.6 (Alpine)
4	Senaki	I – 33 II – 23.5 III – 17	I – 33 II – 23.5 III – 17	Information not available	3
5	Tetritskaro	I – 38 II – 27 III – 20	I – 38 II – 27 III – 20	6	3
6	Tsalka	I – 34 II – 29 III – 19	I – 34 II – 29 III – 19	6	3
7	Ninotsminda	19	19	6	3
8	Aspindza	17	17	4	2
9	Adigeni	13	13	4	2
10	Akhalkalaki	22	22	6	3
11	Akhaltsikhe	22	22	4	2
12	Kaspi	28	28	4	2
13	Zestaphoni	20.5	20.5	Not available	1.5
14	Khobi	23.5	23.5	6	3

Source: APLR study of agricultural land taxes.

Note: US$1.00 = 2.15 GEL (Lari).

Table 9: Cropped area by type of lessee and size category (areas in hectares)

Type of lessee	Area cropped, re-grouped	Average area cropped	Number of leases	Area leased for cropland	% Total area of cropped land leases	% Total number of leases of cropped land
Ltd, stock, coops, assns, other	.01 – 2.99 hectares	1.4	60	86	0.0	0.6
	3 – 9.99 hectares	5.8	82	471	0.2	0.8
	10 – 49.99 hectares	26.3	253	6647	3.4	2.4
	50 + hectares	178.9	331	59204	30.6	3.2
	Total	91.5	726	66408	34.3	6.9
Gambeoba, ministries, educ., research	.01 – 2.99 hectares	1.6	3	5	0.0	0.0
	3 – 9.99 hectares	5.4	26	141	0.1	0.3
	10 – 49.99 hectares	26.7	36	961	0.5	0.3
	50 + hectares	134.4	30	4033	2.1	0.3
	Total	54.1	95	5140	2.7	0.9
Individuals, entrepreneurs, groups of individuals	.01 – 2.99 hectares	1.1	3168	3382	1.8	30.2
	3 – 9.99 hectares	5.5	3281	18100	9.4	31.2
	10 – 49.99 hectares	19.8	2758	54552	28.2	26.3
	50 + hectares	96.3	478	46034	23.8	4.6
	Total	12.6	9685	122069	63.1	92.2
Total, all types of lessees	.01 – 2.99 hectares	1.1	3231	3473	1.8	30.8
	3 – 9.99 hectares	5.5	3389	18712	9.7	32.3
	10 – 49.99 hectares	20.4	3047	62160	32.1	29.0
	50 + hectares	130.2	839	109272	56.4	8.0
	Total	18.43	10506	193617	100.0	100.0

Source: APLR 2002 database.
Note: This table includes only leases that indicated one or more of the three uses of land (mowing, arable, and perennial), which are subject to the draft privatization law.

Table 10: Cropped area by year of lease and period of lease (areas in hectares)

Year of initiation of lease	Periods of leases	Average cropped land leased	Number of leases	Area in cropped land	% Total area in cropped land leases	% Total number of leases of cropped land
1996		55.3	172	9,512	6.5	2.2
1997		19.5	1515	29,577	20.1	18.9
1998		15.5	1731	26,829	18.2	21.6
1999		20. 5	1328	27,159	18.5	16.6
2000		19.2	1570	30,117	20.5	19.6
2001		13.6	1429	19,471	13.2	17.8
2002		16.6	266	4,415	3.0	3.3
Total of all leases with year noted						
	1-9 years	18.1	1803	32,691	22.2	22.5
	10 years	18.7	4382	81,731	55.6	54.7
	11-49 years	22.5	1365	30,690	20.9	17.0
	No period identified	4.3	461	1,966	1.3	5.8
	Total—all years	18.4	8011	147,078	100.0	100.0

Source: APLR database of registered leases.

Table 11: Pastureland leases by region (areas in hectares)

Regions	Average area leased for pasture	Number of leases with pasture	Area leased for pasture	Minimum area leased for pasture	Maximum area leased for pasture	% total area leased for pasture	% total number of leases for pasture
Adjara	127.5	11	1,402.5	3.6	740	0.5	0.4
Guria	21.1	229	4,831.7	0.1	850	1.6	8.3
Imereti	22.3	193	4,297.7	0.1	708	1.4	7.0
Smegrelo Zemo-Svaneti	31.0	125	3,868.5	0.2	560.7	1.3	4.6
Kakheti	118.6	1232	146,130.8	0.1	2500	47.6	44.9
Samtskhe-Javakheti	276.6	324	89,606.1	0.1	3345	29.2	11.8
Mtskheta-Mtianeti	109.4	144	15,747.9	0.3	932.8	5.1	5.2
Racha-Lechkhumi	26.0	2	52.0	2	50	0.0	0.1
Kvemo Kartli	89.6	374	33,502.1	0.1	2667	10.9	13.6
Shida Kartli	69.8	113	7,888.6	0.1	911.32	2.6	4.1
Total	111.9	2747	307,328	0.1	3345	100	100

Source: APLR registered lease database, 2002.

Table 12: Pastureland leased by different size categories (areas in hectares)

Pastureland leased	Average area of land leased for pasture	Number of leases	Area leased for pasture	% total area leased for pasture	% total number of leases
No hectares in pasture	**0.0**	**9658**	**0**	**0.0%**	**77.9%**
Some hectares in pasture					**22.1%**
.01 – 2.99 hectares	1.2	530	621	0.2%	19.3%
3 – 9.99 hectares	5.4	436	2,362	0.8%	15.9%
10 – 29.99 hectares	17.6	422	7,419	2.4%	15.4%
30 – 99.99 hectares	56.2	488	27,399	8.9%	17.8%
100 – 199.99 hectares	133.2	335	44,622	14.5%	12.2%
200 + hectares	419.6	536	224,905	73.2%	19.5%
Subtotal	**111.9**	**2747**	**307,328**	**100.0%**	**100.1%**
Total	**24.8**	**12405**	**307,328**	**100.0%**	**100.0%**

Source: APLR registered lease database, 2002.

Table 13: Area of leased pastureland in hectares for different categories of cropped land leases

Area cropped (categories)	Average area held in pastures	Number of leases with pastureland	Total area in pastures	% total area in pastures	% total number of leases
No land Cropped	136.5	1667	227,552	74.0	60.7
.01 - 2.99 hectares	14.0	195	2,730	0.9	7.1
3 - 9.99 hectares	31.0	245	7,598	2.5	8.9
10 - 19.99 hectares	56.3	195	10,984	3.6	7.1
20 - 29.99 hectares	42.2	86	3,632	1.2	3.1
30 - 49.99 hectares	100.4	104	10,446	3.4	3.8
50 + hectares	174.1	255	44,387	14.4	9.3
Total	111.9	2747	307,328	100.00	100.00

Source: APLR registered lease database, 2002

ASSOCIATION FOR THE PROTECTION OF LANDOWNERS' RIGHTS

PROCEDURAL MANUAL

OF

CADASTRAL AND REGISTRATION INFORMATION QUALITY ASSURANCE[53]

[53] This document has been provided by the APLR. It is a direct translation of the original document which was produced in Georgian. Terra Institute, Ltd. acknowledges that to change the wording after translation to correct grammar, the possibility of misinterpretation is present. Terra Institute, Ltd. has chosen to leave the translation as is. Only formatting changes have been made from the original document.

INTRODUCTION

Since 1999, the USAID Land Market Development Project has been carrying out initial systemic registration of agricultural land parcels. To date, in 51 rayons of Georgia have been conducted cadastral and registration works on more than 2,4 million land parcels.

Determining and assuring the quality of systemic cadastral works in the process of systemic cadastral activities is very significant. Proceeding from the amount and scale of the work done, special attention is paid to making use of contemporary equipment and participation of local sakrebulo residents in the process. Cooperation with landowners reveals as many mistakes as possible and increases their awareness regarding legal procedures and protection of their rights. Local self-governance and SDLM regional offices were actively involved in conducting cadastral works.

At the initial stage of the Project, Registration Cards were distributed to owners upon registration, in order to identify mistakes in the registration documentation, caused by inaccurate information gathered during cadastral works. Upon receiving the Registration Cards, owners were able to check the information existing in them and to address subcontractor companies of the Project in order to make corresponding changes.

Indicated method of identifying and correcting mistakes and inaccuracies has to some extent worked, but along with increase of the quantity of registered parcels, it is necessary to systematize this information and inform the owners about the importance of conducted activities, make them acquainted with the prepared materials and publicly discuss the information once again, along with the owner. Besides, only Registration Cards does not provide owners with the complete information regarding adjacent parcels, their owners, location of the parcel within the block and location of the block itself. The indicated information can be obtained only through public display and preparation of corresponding technical documentation.

Quality assurance of cadastral and registration information is conducted in two stages.

I – Checking of technical information by means Of contemporary technologies.
II – Conducting public display with direct participation of sakrebulo residents.

The main goal of these displays is to allow local residents and owners to once again become acquainted with the information collected about their (and not only their) land parcels, compare it to the actual situation and, in case of revealing mistakes, to demand elimination of inaccuracies.

Cadastral and registration information for public display is exhibited in the administration building of sakrebulo and representatives of local self-governments are actively involved in this process. The activities will be carried out in 805 sakrebulos of 51 rayons – in all those places where registration activities were implemented by the Project. Public display of cadastral activities will also be held in 22 sakrebulos of Gori rayon. Total number of sakrebulos is 827.

STEPS FOR CONDUCTING QUALITY ASSURANCE OF CADASTRAL AND REGISTRATION INFORMATION

I. Checking Technical Data by Means of Contemporary Technologies:

1. Providing satellite maps to contractor companies and plotting blocks on them.

2. Checking and digitalizing of plotted blocks.

3. Correcting errors.

4. Correcting data bases.

II. Process of Public Display is Divided Into Following Steps:

Organizing of public displays includes two options – standard and specific. Implementation of both versions envisages the following steps:

1. Preparing materials for public displays;

2. Selecting technical team (technical expert, secretary), training, displaying materials to be discussed, informing sakrebulo population about public display and organizing the process of public display. Distribution of Registration Certificates that were not issued during the public display process;

3. Monitoring of public display process, analyzing and systematizing revealed mistakes, as well as processing claim journals;

4. Correcting cadastral and registration information: informing registration offices about revealed/recorded mistakes, correcting data bases in accordance with the corrections made by registrars;

5. Printing out corrected cadastral and registration documentation and transferring it to registration offices;

6. Distributing corrected Registration Certificates to the owners.

1. Checking technical data by means of contemporary technologies:

1.1 Providing Satellite Maps to Contractor Companies

Project provides satellite (if available ortho-photos) maps to sub-contractor. Contractor companies are required to identify boundaries on the above maps. Particularly, they are outlining block configurations on the maps or sticking corresponding images on them. The above work is conducted according to especially elaborated timetable. Corresponding written notice is sent to them concerning the above timetable. Time term ranging from 2 weeks to 1 month was set for the works. Term is determined by taking into consideration sakrebulos and parcels.

1.2. Checking and digitalizing plotted blocks.

Blocks are identified by **GIS** team based on maps presented. Each staff member is assigned to certain amount of rayons, also preparation of digital versions of block boundaries in **Arcview GIS** software. Additional software will be developed which will provide the opportunity to fit the blocks accurately on the map. Software will enable identification of the block. (determines shape and exact location. In case of orthophotos are determined internal situation of the block, location of parcels and external boundaries). This approach is used to check the quality and accuracy of work carried out by the contractor company, also to check whether or not the block actually exists. Work is conducted jointly by project specialist and representative of the contractor company. Thus, it is impossible for one party to unilaterally change the situation.

1.3.Correcting Errors

Blocks that can not be made out on the map or identified are sent back for verification and processing.

14 calendar days are set for this activity.

Blocks that can not be plotted on the map are annulled based on the agreement with the contractor company. Afterwards is prepared a Corresponding Act. Act is approved with the signatures of Project and company representatives. As a result blocks are annulled in the date base.

1.4. Correcting Date Bases

Based on the number of blocks remaining, lists and Cad files are corrected in the data base and printed out. Materials necessary for index maps and public display process are prepared.

2.1. Organizing public displays

Standard version

For organizing the standard version public display, the following technical and information materials should be prepared :

- Sakrebulo index maps;
- Land parcel block cadastral plans;
- Landowners' lists;
- Land parcel lists;
- Claim journal;
- Registration certificates and respectively, owners' list;
- Landowners' applications;
- Information booklets;
- Agreements to be signed with technical experts and secretaries;
- Public display procedure;
- Association's newspaper;
- Legal information;
- TV commercial to inform the public.
- Blank papers for recording notes and data;

2.1.1 Sakrebulo cadastre index map

The project has collected detailed information for each sakrebulo on location of blocks surveyed by project subcontractors. Subcontractor companies have provided the topographic or land arranger maps that companies used as instructions.

Through land arrangers' maps and orthophotos the cadastre information shall be systemized, viz. sakrebulo index maps will be produced. All blocks surveyed in sakrebulo territories by subcontractors will be plotted on index maps. Blocks will be qualified according to colors, numbers and administrative blocks.

Registration sector (sakrebulo) borders and respective sector codes, administrative block borders with respective numbers will be plotted and indicated on index maps (if possible). If subcontracts have already determines sector and administrative block borders, information prepared by them shall be used. (In regard to sakrebulos and administrative blocks, negotiations shall be launched with KfW and WB projects) In sakrebulos where borders could not be determined, index maps will be prepared only blocks indicated.

Cadastral index maps are printed on A0 format paper. Scale of maps will be selected in accordance with legibility of block numbering from 1:2000 up to 1:10 000.

The following information will be depicted on index maps:

- Name of rayon and sakrebulo;
- Scale;
- Complete code of sector;
- Other necessary information;

- Date of printing out the map;
- Duration of conducting filed survey works; and
- Note "Draft Version" is made on the maps assigned to sakrebulos.

Note: Initial registration sector is responsible for receiving information on cadastral activities implemented by subcontractor companies in sakrebulos, as well as obtaining information on number and location of blocks. They have prepared plan for gathering the information on blocks in sakrebulos (on monthly basis, in plan it is indicated in detailed manner on which and how many sakrebulos is the each employee of the Association responsible for. Reports are prepared constantly about on going activities and their results).

Control and monitoring sector is responsible for preparing and printing final versions of index maps based on the information collected on blocks. The plan for printing the index maps of sakrebulos is elaborated, that describes on which and how many sakrebulos is the each employee of the Association responsible for.

2.1.2 Cadastral Plan of Block

Cadastral plan of block is printed for each block, which shows each parcel and its number that are included in the block.

Also on the block plan (bottom right-hand corner) number of parcels of indicated block will be shown, as well as date of printing, scale of plan and complete code of block. Based on cadastral plan of the block, the owners will be able to become familiar with the information about their own as well as adjacent parcels.

Blocks containing 1 through 3 parcels are not printed due to the reason that contours of the blocks, shown on paper, are small and unprofitable from the visual point of view. Meanwhile, the area and owner of neighboring parcels can easily be determined by means of the lists, printed according to parcel codes. Also, the indicated information (with description of the neighboring parcels) is already shown on the land (real estate) registration certificate and the Registration Cards, filed at the rayon registration office. Proceeding from the above, cadastral block plans are not printed for the blocks including 1 through 3 parcels. More so, as in the eastern and central regions of the country, such cases are almost excluded, while in the west, in a whole range of sakrebulos, the numbers of blocks exceed thousands and it is difficult and useless for the public display technical staff to use and identify information.

2.1.3 Lists of owners and land parcels

Two types of lists will be printed out for public displays:

1. List of owners, in which cadastral information will be presented in alphabetical order, which will make it easier for them to find information about relevant parcels.

In the indicated list is recorded the following information:

- ***Numbering***
- ***First and last name of the owner***
- ***Area***
- ***Block and parcel number***
- ***Address***

2. List of land parcels, in which cadastral information will be arranged according to numbering (incremental) of land parcels. The indicated method will simplify the process of finding specific land parcels and its relevant registration information.

In the indicated list is recorded the following information:

- ***Numbering***
- ***Block and parcel number***
- ***Area***
- ***First and last name of the owner***

2.1.4 Claim journal

For claim displays will be prepared special so-called claim journals, by means of which will be recorded any claims and remarks expressed by the owners. During the claim period, attention will be emphasized on those claims, which will be related to cadastral information, produced by the Association. In the journals is recorded the following information:

- Numbering
- First and last name of owner
- Owner address
- Parcel code
- Information about reception (non-reception) of the registration certificate
- Detailed description of the claim, expressed by the owner
- Owner signature and date
- Detailed description of the result of re-inspection of the claim, expressed by the owner
- Title and number of the submitted document
- Signature and date of the re-inspector

Claims are recorded at the end of every workday, which is confirmed by signatures of the technical expert and secretary. Similar recording and confirmation takes place after expiry of the public display term.

2.1.5 Address to landowners

The address is printed on **A3** and **A4** format paper. By means of it, to the population will be supplied the information about the time term, date and location of organizing the public

display. Also, about the implementing organization, necessity of the registration process and its being free-of-charge. On the address are indicated the addresses and phone numbers of the central and relevant local offices of the Association.

2.1.6 Information booklets

In the booklet (folded sheet of **A4** format paper) is printed detailed information about the procedure of public displays. About its significance, stages, responsibilities of technical personnel and owner rights.

2.1.7 Procedure of public displays

On **A3** format paper is printed detailed information about the procedure of public displays. Its significance, stages, responsibilities of technical personnel and owner rights.

The procedure is posted at the administrative building of the sakrebulo, together with the index map and address, so that the population is informed about significance of the process and its rights.

2.1.8 The Association newspaper

Last issue of the Association's newspaper Mitsis Mesakutre (30 copies), where is systematically printed updated information about the public display process. Also other information, related to land possession and ownership, interesting for farmers.

2.1.9 Legal Information

Legal information is also displayed during public display process. Particularly, A 3 paper that includes procedures and the following information:

- How to bequeathe a land parcel;
- How to mortgage a land parcel in order to obtain a bank loan;
- How to obtain the servitude right;
- Division of a parcel into several parcels or merging of adjacent parcels into one parcel;
- How to resolve a neighbor dispute related to parcel boundaries;
- Procedure for registration of the right to build;
- How to lease a state-owned agricultural land parcel; and
- How to purchase an agricultural land parcel.

2.1.10 TV advertising clip, necessary for informing the public

The Association has prepared a special TV advertisement clip, which is prepared for regional TV companies, while taking into account their technical capabilities. The advertisement clip (with shots, reflecting progress of the process) is accompanied with relevant text. The

advertising clip is used only in those rayons, where the public display process is proceeding in most of the sakrebulos and local TV is functioning.

2.1.11 Agreements to be processed with technical expert and secretary

Special labour agreements, which are processed between the Association and members of the technical team. The agreement reflects the rights and obligations of both parties and is confirmed with signature. Are recorded the passport numbers and addresses of the technical team members.

2.2. Time term and organizing of public displays

The time term for conduction of public displays is determined to be 15-20 calendar days.

Before organizing of public displays is carried out informing of the sakrebulo population about the public display. For that purpose, in specific sakrebulos is disseminated the Association's newspaper, in which, as an inlay, is provided detailed information about the public displays and its necessity, procedures. Also on territory of the sakrebulo, in places of public gathering (bust stops, electric power posts, windows of shops and booths, markets, façade of the administrative building itself) are posted special informative addresses. Before beginning of public displays, the Project employees will get in touch with the sakrebulo land arranger and secretary. They will be informed and relevant agreements will be processed. At the same time will take place informing of the sakrebulo administration about the display.

Together with the land arranger and sakrebulo secretary, public display materials will be posted at the specially designated room of the local sakrebulo administrative building and the population will be able to become acquainted with the information about their land parcels, collected by the Association.

The Project employees conduct training and consulting of the technical expert and secretary, as to how they should lead the public display. It will be explained to them in detail, how they are supposed to receive owners, assist them in clarifying the information, recording the claims and necessary information. To the technical expert and secretary will be transferred a copy of the public display procedures, where their duties and the work to be carried out are described in detail.

2.2.1. Obligations of the public display secretary

- Public display secretary, together with the technical expert, must ensure organizing of public displays of cadastral and registration information and reception and services of owners;

- During the period of cadastral and registration public display, the secretary must attend the display of registration materials every day, from 10 a.m. to 4 p.m.;

- Within the limits of his/her capability, inform the population in the sakrebulo and invite them to the display;

- Provide consultation to arrived landowners about current measures and their purpose;

- The secretary must enter into the claim journal the claims expressed by the owners, who attend the public display. Also, detailed information about all the documents, confirming the claims, submitted by owners, - the type, number, issuance date of the document, the agency issuing it and other details;

- Issue registration certificates to the owners and obtain relevant signatures of the owners confirming that they have received certificates;

- Together with the technical expert, analyze the results of work at the end of each day and bring order into the records in the claim journal. Determine the number and relevant recording of the claims, received during the day;

- Together with the land arranger, reflect in the claim journal the information received as result of re-inspection of the claim on location, by the land arranger. Attach to the claim the plans, compiled during re-inspection on location (if the land arranger will need compilation of such plans);

- Ensure storing of the claim journals;

- At the end of the display, conduct a complete revision of the claim journal. Correction and clarification of vague entries. Inspecting the numbering and total number of the claims and recording them at the end of the journal. Finally, confirming the journal with his/her signature.

2.2.2 Responsibilities of the technical expert of public displays

- Technical expert, together with the public display secretary, must ensure reception of owners at the exhibit, their services, recording and re-inspection of the claims;

- Technical expert must attend the public display of cadastral and registration information every day. From 10 a.m. to 2 p.m. conduct reception of owners and recording of claims, and after 2 p.m. conduct re-inspection of recorded claims – also including re-inspection of land parcels on location;

- Provide consultation to arrived owners regarding current measures and their purpose;

- Provide assistance to owners in finding their own land parcels and related information in the display materials (parcel location, parcel area, owners of neighboring parcels, etc.);

- In case of servitudes (or other encumbrances) existing on the land parcel, explain the meaning of its encumbrance;

- Listen to claims of the owners. During conversation with them, outline the main content of the claim and conduct its final formulation, together with the owner. Make the secretary enter the latter into the claim journal;

- In accordance with the content of expressed claim, in case of necessity, carry out inspection of the land parcel on location and more detailed clarification of the claim or its final elimination. For that purpose, in case of necessity, prepare during re-inspection a sketch of the land parcel and its surrounding situation, which will then be attached to the claim in the claim journal;

- Issue registration certificates to owners and obtain relevant signatures of the owners confirming that they have received certificates;

- Together with the secretary, at the end of each day conduct analysis of the results of work and bring entries in the claim journal in order. Defining the number of complaints, submitted during the day, and relevantly recording them;

- At the end of the display, conduct complete revision of the claim journal. Clarify vague entries. Inspect the numbering and total number of claims and indicate it at the end of the journal. Finally, confirming the journal with his/her own signature.

2.2.3 Claims, on which attention should be emphasized

- **Unrealistic location of the land parcel on block cadastral plan or index map.** (Technical expert must make a detailed entry in the claim journal about such mistakes);

- **Incorrect indication of the owners of neighboring parcels in displayed materials.** (Technical experts must described such mistakes in detail in the claim journal and also prepare the protocol of re-inspection on location, with signatures of owners of adjacent parcels);

- **When land parcel measurements differ considerably from the real measurements.** (Technical experts must described such mistakes in detail in the claim journal and also prepare the protocol of re-inspection on location, with signatures of owners of adjacent parcels);

- **Mistake, discovered in the first or last name of the owner.** (Sakrebulo secretary must make a detailed entry in the claim journal, while indicating those documents by means of which he/she became convinced of the accurate first and last name of the owner – household book, ID, RDA, etc.);

- **Mistake, committed in the owner address.** (Sakrebulo secretary must make a detailed entry in the claim journal, while indicating the documents, by means of which he/she became convinced of the accurate address of the owner – household book, ID, RDA, etc.);

- **In case of a dispute between neighboring owners, related to a boundary.** (In case of existence of such a dispute, the technical expert should describe it in detail in the claim journal and also prepare a protocol of re-inspection and agreement on location, with signatures of the neighboring parcel owners);

2.2.4. Monitoring the process of public displays

During 15-20 days period of public display, Project staff will inspect the process of Public Display on the spot. Should be inspected how the process is conducted, whether or not landowners are active, if secretary and technical expert are fulfilling their duties properly and whether or not claims and their inspections are recorded completely in claim journal. Additional instructions will be given to technical personnel, if shortcomings are detected.

2.2.5. Delivery of public display materials

After completion of the public display time term, representatives of the Project go to the sakrebulo, talk to the technical team and analyze received results. Namely: studying and inspecting of the claim journal, the claims, determining of the level of activeness of citizens.

Finally the technical team is compensated on the amount of work they have performed and relevant invoices are processed. Technical document, delivered to the sakrebulo, are listed and returned to the central office.

2.2.6. Time required for organizing public display process

It will be very hard for one person to organize the process of public display. He/she will need transport, long training process, thus we will need a team made up of two persons.

Organizing the process:

Visiting sakrebulo	Leaving sakrebulo	Selecting technical expert and secretary	Training	Distributing addresses
0.5 hours	0.5 hours	0.5 hours	0.5 hours	0.5 hours

Total: 4 hours

Note: The above period is counted as of visiting an according rayon.

Delivering material:

Visiting sakrebulo	Leaving sakrebulo	Analyzing condition, payment of amount
0,5 hours	0,5 hours	2 hours

Total: 3 hours

2.2.7. Financial expenses of public display

Expenses borne in two rayons are presented here as examples:

1. Business trip fee not included – Bolnisi (65km)
2. Including business trip fee – Akhmeta (180km). Expenses include organizing processes in two sakrebulos.

1. Bolnisi

Transportation, patrol	Staff salary	Salary of technical expert and secretary	Business trip fee	Total
80 GEL	220 GEL (average of 25 USD daily)	150 GEL	0	450 GEL

2. Akhmeta

Transportation, patrol	Staff salary	Salary of technical expert and secretary	Business trip fee	Total
150 GEL	220 GEL (average of 25 USD daily)	150 GEL	60	580 GEL

Note: Patrol expense (for 10 litres) covers 100 kms: two visits, initiation of process, and delivering material.

Specific version

Sakrebulo index maps, produced for high-mountainous regions, are of quite low quality, due to various reasons (due to low-quality satellite orthophotos). Proceeding from the above, it is difficult to understand the existing situation and to depict blocks on them, for the purpose of controlling performed work, loses sense. It becomes impossible for landowners, who come to attend the display process, to read the situation on the map and locate their own parcels.

Certain situations may arise, in particular the vague maps, printed almost in a single color, may cause the population to doubt reliability and accuracy of prepared materials and create an incorrect impression regarding their quality, which may negatively affect the Project's image.

That is exactly why, instead of printing sakrebulo index maps in the indicated rayons (due to their low quality) we limit ourselves to a simplified method. In particular, the number of blocks, depicted on the sakrebulo index (satellite) map, is recorded, compared to the data existing in the database, while sakrebulo index maps are not posted at the public display processes in the indicated rayons.

Specific version of public displays is envisaged for high-mountainous rayons, namely: Oni, Ambrolauri, Tsageri, Lentekhi and Mestia.

During organization of the specific version of public displays, technical and information materials are prepared in accordance with the standard version, namely:

- Land parcel block cadastral plans;
- Landowners' lists;
- Land parcel lists;
- Claim journal;
- Registration certificates and respectively, owners' list;
- Landowners' applications;
- Information booklets;
- Agreements to be signed with technical experts and secretaries;
- Public display procedure;
- Association's newspaper;
- Legal information;
- TV commercial to inform the public.
- Blank papers for recording notes and data;

The exception is the following two circumstances:

1. Sakrebulo index maps are not printed and not posted.
2. Duties of technical experts do not include counting of the blocks, inspecting their real existence and accurate location on the index map.

3. Correcting Registration Documentation

Analyzing public display results (claim journal)

Process of processing/analyzing starts after public display materials are delivered. Recorded claims are grouped/brought into system by special teams according to their contents and type. In particular:

- Inaccuracy in area.
- Errors in the name or last name.
- Owner recorded in certificate is incorrect.
- Parcel number is indicated incorrectly in certificate.
- Parcel is missing in the block.
- Address is indicated incorrectly.
- Other.
- Groundless claims.

Number of each claim recorded in claim journal is put in specific group, its table is summed up and is attached to journal. The above procedure is required for conducting correction process correctly and providing final picture.

Results of each sakrebulo's public display and especially claim journals are transferred to corresponding rayonal registration office, afterwards consultation process is conducted, concerning the conduction of needed changes. Heads of subcontractor companies together with project personnel will participate in the meeting with the registrar.

3.1. Correction

Based on the instruction of rayonal registrar, subcontractor company is initiating the process of correction, as a result, updated base will be presented to central base. Coordinator of initial registration sector will discuss compliance and rightness of corrected work.

Marika Gabunia is responsible for registration documentation.

4. Making changes to data base and transferring full registration information on sakrebulos to registration offices

As changes are made to registration documentation, similar amendments are made to data base at the Association head office.

Besides, registration and cadastral work done in sakrebulos are summed up and are transferred to rayonal registration offices. Also, the Special Act of Transfer is prepared (see attachment #14), it will describe type of materials and documentation transferred to registration by the Project.

5. Distribution of registration certificates

As of September 2002, registration certificates are not distributed by Association sub-contractors. Registration certificates are printed by sub-contractors and sent to Association central office.

Registration certificates and lists of those owners that should receive certificates (together with other material) will be provided to sakrebulo experts selected by us. Signature of owner will be recorded in the list upon the issuance of certificates.

Registration certificates, printed by sub-contractors recently should be gathered in the head office of the Association by the initial registration sector. Certificates should be grouped according to rayons and sakrebulos. Besides, should be prepared the list of those owners, who should receive these certificates.

Together with initiation of public display, every certificate in our possession will be issued to technical expert and secretary who conduct the process of public display. They should secure the distribution of certificates during public display process. Members of Association's regional offices with facilitation of experts will overlook this activity.

Regional offices of Association should make sure that no certificates are stored in sakrebulo or registration offices and that their distribution process is not stalled. If such fact is revealed, certificates will be obtained and distributed to owners during public display process.

After completion of public display, corrected certificates of those parcels that were affected by correction process, will be printed out and distributed to landowners by regional offices.

Regional offices of the Association will be responsible for this process

Informing SDLM Chief and Rayonal Registrars on Public Display

Corresponding agencies of SDLM should be informed on planned activities prior to initiation of public display process in the rayon.

Letter of SDLM chief will be provided to rayon registrars and heads of SDLM local offices. This letter will assign according agencies to cooperate with representatives of the Project for the purpose of properly conducting activities.

Time spent on organizing public display:

Organizing the process:
Traveling to rayon 1 h.
Traveling to sakrebulo – 30 min.
Selecting technical team – 30 min.
Training – 2 h.

Distributing addresses – 30 min.
Traveling back – 1,5 h.
Total – 6 h.

Delivering material:
Traveling to rayon 1 h.
Traveling to sakrebulo – 30 min.
Initial analyses of journal – 2 h.
Traveling back – 1 min.
Total – 3,5.

Correction
Traveling to rayon – 1 h.
meeting registrar – 2 h.
Traveling back – 1 h.
Total – 4 h.

Note: Prepared on Bolnisi example.

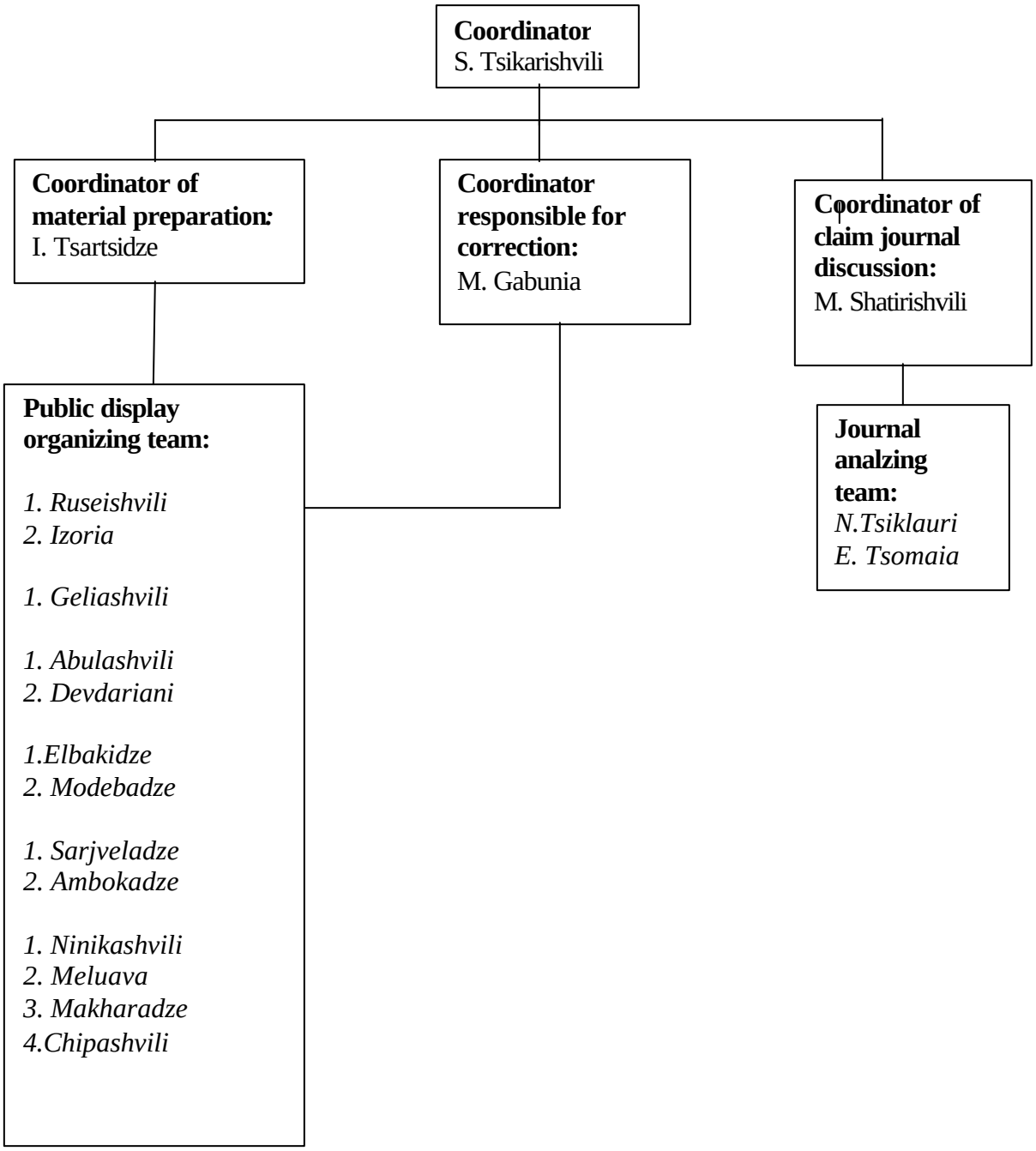
Time needed for public display process (every stage) on the example of ten sakrebulos of Kvareli rayon.

For each sakrebulo:
Preparation of materials – 1 day
Organizing the process – ½ day
Delivering material – ½ day
Total – 2 days

Time needed for correction of whole rayon – 20 days

Organizing the process – 20 days
Correction – 20 days
Total – 40 days

Structure of the Team:



ASSOCIATION FOR PROTECTION OF LANDOWNERS RIGHTS
USAID LAND MARKET DEVELOPMENT PROJECT

LAND PRIVATIZATION PILOT PROJECT
ACTIVITY REPORT—July 31, 2004

Within the USAID Land Market Development Project, Association for Protection of Landowners' Rights drafted the Law of Georgia on Privatization of State-Owned Agricultural Lands. The purpose of the Law is to privatize the agricultural lands remaining is State ownership.

Pursuant to the draft Law, privatization process had to be preceded with a number of preliminary activities of technical nature. These activities included preparation of privatization plans for specific sakrebulos or identification of leased land parcels and their lessees, determination of accurate boundaries for leased parcels, identification of uncultivated though fertile land parcels and pastures, processing of documentation and paperwork, etc.

The APLR has created draft procedures for implementation of above described preliminary activities that would help the privatization process run smoothly.

The objective of the APLR was to test the procedures prior to sending its final draft to respective Ministries for their comments. To achieve our objective, APLR has selected nine (9) sakrebulos throughout the country, where together with local governances and self-governances we tested all stages of the procedures envisioned by the draft Law.

1. Criteria for Selecting Sakrebulos

Number of leased parcels. The most important criterion in identification of sakrebulos was the number of leased land parcels located in sakrebulo. For this purpose, project's target became the lowlands, where the number of leased lands is higher than in mountainous regions of Georgia.

Diversity of Regions. APLR has selected sakrebulos in different regions so that the pilot project would cover the wide variety of regions. Using this criterion the project tested the draft Law and the procedures in regions different not only in geographical locations, but in agricultural practices, climate, ethnic composition, population density and other factors as well.

Availability of Quality GIS. APLR has selected sakrebulos for which relatively high quality aerial imagery (orthophotos) was available, since the project involved identification of the exact locations of leased lands and their areas.

Completely Surveyed Areas. LMDP has conducted initial registration of residential and privately-owned land parcels and has not surveyed or registered the parcels that are leased. Leased parcels and other state-owned lands are being surveyed by KfW Land Cadaster and Registration Project. To obtain the full picture of the pilot project areas, while selecting the pilot sakrebulos, APLR has focused on those areas where KfW activities had already been implemented. This way, it was possible to integrate the data available from both sources enabling to have a clear understanding of all land parcels located in sakrebulos including residential and leased lands[54].

2. List of Selected Pilot Areas

Based on abovementioned criteria, the following 9 pilot Sakrebulos were selected:

i) **Manavi**, Sagarejo Rayon	Eastern Georgia lowlands, predominantly ethnic Georgian population, very fertile lands
ii) **Ninotsminda**, Sagarejo Rayon	Eastern Georgia lowlands, predominantly ethnic Georgian population, very fertile lands
iii) **Tamarisi**, Bolnisi Rayon	South-East Georgia lowlands, predominantly ethnic Azeri population, fertile lands
iv) **Koda**, Tetritskaro Rayon	South-East Georgia lowlands, ethnic Azeris and Georgians, fertile lands
v) **Berbuki**, Gori Rayon	Central Georgia lowlands, predominantly ethnic Georgian population, fertile lands
vi) **Karaleti**, Gori Rayon	Central Georgia lowlands, predominantly ethnic Georgian population, near South Ossetia conflict zone, fertile lands
vii) **Atskuri**, Akhaltsikhe Rayon	South-West Georgia semi-mountainous region, Georgian-Armenian population, lands of mediocre fertility
viii) **Bardubani**, Terjola Rayon	West Georgia lowlands, predominantly ethnic Georgian population, lands of mediocre fertility
ix) **Kvemo Simoneti**, Terjola Rayon	West Georgia lowlands, predominantly ethnic Georgian population, lands of mediocre fertility

[54] Tamarisi (Bolnisi rayon) and Koda (Tetritskaro rayon) - these two sakrebulos are the only exceptions for this criterion.

3. Preliminary Activities

Preliminary activities of the pilot projects included obtaining the information about land users, identification of parcels on site, and digital processing of available maps.

Information Gathered. For each sakrebulo cadastral maps of 1:2000 and 1:500 scale have been prepared. These maps included sakrebulo administrative boundaries, as well as blocks depicted by KfW project and LMDP. Land parcels have been marked in different colors pursuant to the 3 usage types (State-owned, leased, private).

4. Core Activities

Activity Plan. One APLR regional coordinators was assigned for each rayon. Regional coordinators had meetings with the managers of rayon land management and agricultural offices, sakrebulo heads, and land arrangers informing them of the purpose of their activities. With their help, the regional coordinators filled out the following two types of information sheets:

i) Information sheet for sakrebulos, including:
- Total land balance in the sakrebulo (both privately owned and State owned land parcels).
- Types of lands in total land fund in sakrebulo:
  - Residential areas
  - Land reform parcels
  - Area of Pastures
  - Area of Meadows
  - Area of other lands issued in use
  - Area of leased lands
  - Number of leased lands
  - Number of lessees

ii) Information sheet for each lessee and leased land parcel, including:
- Name of a lessee (requisites for a legal person)
- Existence of a lease agreement
- Existence of registration (number if such exists)
- Term of the lease
- Date of lease agreement
- Date of lease expiry
- Whether the lease rent was paid (if not paid, whether any rent is paid)
- Existence of sublease, and its data
- Area of leased land
- Land category
- Tax per ha
- Purpose of land parcel
- Sketch of land parcel indicating the sizes of a side

- Existence of premises (their list)

Each coordinator checked the accuracy of information of the maps and compared this information with the real situation in villages. They marked the inaccuracies and identified un-surveyed territories, so-called 'white spots'.

APLR analyzed the obtained information and digitally corrected cadastral maps. As a result, electronic copies of the cadastral maps for nine sakrebulos were produced. In addition, electronic database was created pursuant to the obtained information. (See final results in Annex A).

Information Collected on Lessees. APLR identified 533 lessees and 692 leased land parcels on field. However, the information about the specific owners, areas, terms of lease and its duration was not easily available. While some information has been kept at the Public Registries, the information on sizeable amount of parcels has not been recorded there. Instead, APLR regional teams had to visit rayon administrations, sakrebulo offices and other state entities to find the scattered pieces of information stored at different places.

The conclusion from this component of the pilot project is that at the moment, Public Registries alone are not the relevant body to find out all information necessary for privatization. At the same time, APLR teams have gained experience about the ways this information can be procured. Notably, this experience formed transferable skills that provide the opportunity for APLR coordinators to train the local Sakrebulo and other officials to procure these data once it becomes necessary.

The table below lists the lessees and number of leased parcels per pilot sakrebulo:

	Berbuki	Karaleti	Koda	Tamarisi	Manavi	Ninotsminda	Qv. Simoneti	Badubani	Atskuri	
Number of Lessees	27	44	107	53	104	86	55	23	34	533
Number of leased land parcels	30	54	107	122	112	96	102	25	44	692

Problems Encountered. During the course of the activity, the pilot project teams have identified the following deficiencies, most of them resulting from the disorganized manner of keeping the documentation and Rayon level land management (Public Registry) offices:

- Part of lease agreements are not registered in Public Registries
- Land parcels are leased out to new lessees and the old lease agreements are not annulled.
- Land parcels are leased out but there are no lease agreements processed while the lessees are paying the rent.
- Area of lease land parcels does not coincide to actual areas.

- Lease agreements indicate one area of lease parcel, while it consists of different purpose parcels located in sakrebulos. Areas of separate parcels are not indicated.
- Sometimes it is difficult to obtain information on payment of lease rent.

Preparation of Privatization "Tools". Based on the procured data, APLR prepared and printed the information that would act as a necessary planning, management and decision-making tool for privatization process. This includes:

- Orthophoto maps, which includes the total amount of land disaggregated in the following categories:

  - Amount of residential areas
  - Amount of reform land areas
  - Amount of pastures
  - Amount of meadows
  - Amount of leased land parcels
  - Other sakrebulo-specific data

- List of the lessees, including the following lessee-related information:

  - Area of the land parcel
  - Existence of registration and the date
  - Existence of agreement and the number
  - Purpose of the land parcel
  - Duration of the lease
  - Beginning of lease term
  - Lease expiration date

This information, printed out on paper, has been granted to the sakrebulos for their use. A copy of the draft law and its explanatory note has also been distributed, which included procedures necessary for privatization.

Meetings with Sakrebulo Officials. A critical component of the pilot project was to provide the local governance with the knowledge and information regarding possible upcoming privatization. With this purpose, APLR has organized sakrebulo-level meetings with local officials and other interested persons.

The purpose of the meetings was to introduce them with the prepared information, draft Law and its procedures, and also hear their comments and ideas. (See Annex B).

Sakrebulo Name	Number of Lessees	Number of lease Land Parcels			Number of Registered Lease Agreeements	Number of Non-registered lease agreements	Total area of lease lands	Meadow		Arable		Pastures		Perennial plants		Other	
		Physical Person	Legal Persons	Total				Number of parcels	Area (ha)	Number of parcels	Area (ha)	Number of parcels	Area (ha)	Number of parcels	Area (ha)	Number of parcels	Area (ha)
karaleti	31	37	20	57	52	5	358	1	1,08	42	263,2	5	14,01	1	25,2	8	54,54
Berbuki	32	28	6	34	9	25	78,39	0	0	30	65,3	1	0,96	0	0	3	12,13
Manavi	104	103	3	106	71	35	1110,9	0	0	104	883,9	1	93,5	1	133,5	0	0
Ninotsminda	77	86	1	87	25	62	2447,1	3	31,5	67	1053	15	1231	0	0	2	132
Qv. Aimoneti	50	98	0	98	97	1	51,21	0	0	95	46,41	3	4,8	0	0	0	0
Bardubani	24	24	1	25	19	6	32,343	0	0	22	29,24	2	1,7	0	0	1	1,4
Koda	106	118	0	118	1	117	714,7	1	1	110	703,1	6	10,3	0	0	1	0,3
Tamarisi	53	101	6	107	7	100	531,65	0	0	106	522,7	1	9	0	0	0	0
Atskuri	34	42	2	44	25	19	713,49	15	130,3	14	24,13	8	536,5	0	0	7	22,58
Total	511	637	39	676	306	370	6037,8	20	163,9	590	3591	42	1902	2	158,7	22	223

Annex B

MEETINGS HELD TO INTRODUCE THE DRAFT LAW ON PRIVATIZATION OF STATE-OWNED AGRICULTURAL LANDS

Pursuant to the draft Law, privatization process had to precede with a number of preliminary activities of technical nature. These activities included preparation of privatization plans for specific sakrebulos or identification of leased land parcels and their lessees, determination of accurate boundaries for leased parcels, identification of uncultivated though fertile land parcels and pastures, processing of documentation and paperwork, etc.

The objective of the APLR was to test the procedures prior sending its final draft to respective Ministries for their comments. To achieve our objective, we selected nine (9) sakrebulos throughout the country:

Pursuant to the draft Law, to privatize agricultural lands, privatization commissions should be created in sakrebulos of every village, lowland, and community. Privatization commissions have three members representing the sakrebulo, two persons representing a community-based organization of a village, lowland, city, or community and the members representing local offices of the Ministries of Economy, Agriculture, Infrastructure, and Environmental Protection. Pursuant to the work plan, we had to choose an area of leased lands in Kveda Simoneti sakrebulo of Kerjola rayon, which would be prepared for arbitrary privatization and divided in parcels. Therefore, in Terjola rayon he held meetings with representatives of offices of abovementioned Ministries who, in compliance with the draft Law, may become members of the privatization commission. In the remaining rayons, we held meetings with local sakrebulo members.

Terjola Rayon, April 28, 2004

We had a meeting in Terjola rayon on April 28, 2004. Participants of the meetings:

- Guram Kupatadze – Head of Agricultural office of Terjola rayon
- Shukuri Verulashvili – Deputy Head of Agricultural office of Terjola rayon
- Lamzira Partladze – Head of Land Management office of Terjola rayon
- Almeri Verulashvili – Head of Infrastructural office of Terjola rayon
- Amiran Japaridze – Head of Environmental Protection and Natural Resources office of Terjola rayon
- Zurab Rijimadze – Head of Economic office of Terjola rayon

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Temur Zumbadze – Coordinator of Regional Projects Management Department
Gela Samukashvili – Coordinator of Regional Projects Management Department
Aleko Gvaramia – Head of APLR's Legal Research Department

Severian Turkia – Lawyer of the APLR

Persons invited to the meetings received a copy of the draft Law and its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meeting was dedicated to the discussion, and the following comments were made:

1. Prior privatization, the privatization territories should be researched to find out whether there are some valuable natural resources underneath it and if they are discovered, how shall be the rights over them determined. (Amiran Japaridze - Head of Environmental Protection and Natural Resources office of Terjola rayon)
2. Land reform shall sort out the categories of population and the areas of lands that they should receive shall be determined respectively. How shall be the areas of lands with 15 percent discrepancy sold? (Lamzira Partladze – Head of Land Management office of Terjola rayon)
3. Pursuant to the draft Law, pastures are not subject to privatization. It would be good to indicate that "pastures of common use" are not subject to privatization. This will allow the villagers to purchase the small areas of lands adjacent to their parcels that are now considered as pastures. (Guram Kupatadze – Head of Agricultural office of Terjola rayon)

The persons invited to the meeting evaluated the draft Law positively. They think that if the Law becomes effective, it will help to increase effective management of land on local level and overall development of agriculture.

Kveda Simoneti Sakrebulo, April 29, 2004

On April 29, 2004 there was a meeting held in Kveda Simoneti sakrebulo of Terjola rayon.
Participants of the meeting were:

- Kakha Khokhiashvili – Sakrebulo Chairman
- David Buiglishvili – Sakrebulo member
- David Tsertsvadze – Sakrebulo member
- Gigla Saralidze – Sakrebulo member
- Tariel Khokhiashvili – Sakrebulo member
- Rezo Buiglishvili – Lessee
- Iuza Kashakishvili – Lessee

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Temur Zumbadze – Coordinator of Regional Projects Management Department
Gela Samukashvili – Coordinator of Regional Projects Management Department
Aleko Gvaramia – Head of APLR's Legal Research Department
Severian Turkia – Lawyer of the APLR

Persons invited to the meetings received a copy of the draft Law and its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meeting was dedicated to the discussion.

Principles and procedures of the draft Law turned out to be acceptable for the sakrebulo members and lessees. They made no comments.

With their indication and consent, we selected 73,5 ha of land in the sakrebulo territory, that currently is qualified as arable, although due to some problems is not cultivated now. The guests declared that it would be appropriate to privatize the territory. This would help effective use of this land in future.

Bardubani Sakrebulo, May 18, 2004

There was a meeting held in Bardubani sakrebulo of Terjola rayon on May 18, 2004. The participants of the meeting were:

- Pridon Gvenetadze – Sakrebulo Chairman
- Gia Bardavelidze – Sakrebulo member
- Ramaz Bardavelidze – Sakrebulo member
- Zaza Sapanadze – Sakrebulo member
- Murtaz Kldiashvili – Sakrebulo member

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Temur Zumbadze – Coordinator of Regional Projects Management Department
Gela Samukashvili – Coordinator of Regional Projects Management Department

Persons invited to the meetings received a copy of the draft Law and its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meeting was dedicated to the discussion.

Principles and procedures of the draft Law turned out to be acceptable for the sakrebulo members and lessees. They made no comments.

Koda Sakrebulo, May 17, 2004

There was a meeting held in Koda sakrebulo of Tetritskaro rayon on May 17, 2004. The participants of the meeting were:

- Nukri Chanuri – Sakrebulo Chairman
- Giorgi Gigolashvili – Sakrebulo member
- Malkhaz Khabuliani – Sakrebulo member, land arranger
- Guram Dalakishvili – Sakrebulo member

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Karlo Oniani – Coordinator of Regional Projects Management Department
Vano Tsartsidze – Coordinator of Regional Projects Management Department
Aleko Gvaramia – Head of APLR's Legal Research Department

Persons invited to the meetings received a copy of the draft Law and its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meeting was dedicated to the discussion.

Principles and procedures of the draft Law turned out to be acceptable for the sakrebulo members and lessees. They made no comments but there is one important situation. According to Malkhaz Chabuliani, Sakrebulo member and land arranger, because issuance of small land parcels into lease was not allowed, they have frequent group-lease cases in this sakrebulo, when 10 persons have jointly leased out 10 ha of land and then each person cultivates 1 ha of land. All persons involved in lease consent to register the entire area of lease land in one person's name. Sometimes it happens that one of the lessees (rather sub-lessee) cannot pay his/her portion of lease rent and the case is transferred to the court. Consequently, only the lessee, legally bound suffers the damage. The draft Law does not and cannot envision similar situations.

Tamarisi Sakrebulo, May 18, 2004

There was a meeting held in Tamarisi Sakrebulo of Bolnisi rayon on May 18, 2004. The participants of the meeting were:

- Temur Mamedov – Sakrebulo Chairman
- Kamandar Mamedov – Sakrebulo secretary
- Gumrakh Aliev – Sakrebulo member
- Gulumkhar Ismailov – Sakrebulo member
- Mura Taviverdievi – Head of Water Supply Department
- Bariskhan Mamedov – Lessee
- Mukhragin Bairamov – Lessee

Local villagers attending the meeting:

- Ramiz Mamedov
- Mamed Gureinov

- Entizar Aliev
- Maior Amirakhov
- Isakhan Namazov
- Marglen Garanov
- Ikendar Mamedov
- Adaliat Garanov
- Jalal Muraev

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Karlo Oniani – Coordinator of Regional Projects Management Department
Vano Tsartsidze – Coordinator of Regional Projects Management Department
Gela Samukashvili - Coordinator of Regional Projects Management Department
Aleko Gvaramia – Head of APLR's Legal Research Department

Persons invited to the meetings received a copy of the draft Law and its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meeting was dedicated to the discussion.

In should be noted that local villagers and the sakrebulo expressed a vast interest in the draft Law and the number of persons attending the meeting also indicates this interest. Principles and procedures of the draft Law turned out to be acceptable for the sakrebulo members, lessees and villagers. They made no specific comments but they especially liked that the draft Law envisions revisiting and review of legality of lease agreements and leased land areas. The guests expressed their concern and doubts about the legality of leased lands and requested their inspection.

Berbuki Sakrebulo, May 25, 2004

There was a meeting held in Berbuki Sakrebulo of Gori rayon on May 25, 2004. The participants of the meeting were:

- Ketevan Markozashvili – Sakrebulo Chairman
- Vepkhia Golejashvili – Sakrebulo member
- Ioseb Bejanishvili – Sakrebulo member
- Solomon Bejanishvili – Sakrebulo member
- Malkhaz Mashinjakeli – Sakrebulo member

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Vano Tsartsidze – Coordinator of Regional Projects Management Department
Gela Samukashvili - Coordinator of Regional Projects Management Department

Aleko Gvaramia – Head of APLR's Legal Research Department

Persons invited to the meetings received a copy of the draft Law of its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meetings was dedicated to the discussion.

Principles and procedures of the draft Law turned out to be acceptable for the sakrebulo members and lessees and villagers. They made no specific comments.

Like in Tamarisi Sakrebulo, in Berbuki, they also expressed special content with the provision of the draft Law, which envisions revisiting and review of legality of lease agreements and leased land areas. The guests expressed their dissatisfaction with the lessees and noted that the parcels are not being cultivated. They also expressed their concern and doubts about the legality of leased lands and requested their checking.

Karaleti Sakrebulo, May 25, 2005

On May 25, 2004 there was a meeting held in Karaleti Sakrebulo of Gori rayon. The participants of the meeting were:

- Zviad Berianidze – Sakrebulo Chairman
- Zura Goliajashvili – Sakrebulo member
- Emzar Chalauri – Sakrebulo member
- Tamaz Chalauri – Sakrebulo member
- Korneli Mezvrishvili – Sakrebulo member
- Mzia Tertiashvili
- Ketevan Aduashvili
- Nona Kharibegashvili
- Tamaz Makhokhashvili

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Vano Tsartsidze – Coordinator of Regional Projects Management Department
Gela Samukashvili - Coordinator of Regional Projects Management Department
Aleko Gvaramia – Head of APLR's Legal Research Department

Persons invited to the meetings received a copy of the draft Law and its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meeting was dedicated to the discussion.

Principles and procedures of the draft Law turned out to be acceptable for the sakrebulo members and lessees. They made no specific comments.

Ninotsminda Sakrebulo, May 25, 2004

On May 25, 2004 there was a meeting held in Ninotsminda Sakrebulo of Sagarejo rayon. The participants of the meeting were:

- Shio Shioshvili – Sakrebulo Chairman
- David Bakuradze – Depeuty Head of Sagarejo Rayon
- Givi Kharatadze – Sakrebulo member
- Shota Keratishvili – Sakrebulo member
- Robizon Mgebrishvili – Sakrebulo Head of Staff
- Paata Asratashvili – Chief Specialist of Land Management Office

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Vano Tsartsidze – Coordinator of Regional Projects Management Department
Gela Samukashvili - Coordinator of Regional Projects Management Department
Aleko Gvaramia – Head of APLR's Legal Research Department

Persons invited to the meetings received a copy of the draft Law and its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meeting was dedicated to the discussion.

Principles and procedures of the draft Law turned out to be acceptable for the sakrebulo members and lessees. They made no specific comments.

Manavi Sakrebulo, May 25, 2004

On May 25, 2004 there was a meeting held in Manavi Sakrebulo of Sagarejo rayon. The participants of the meeting were:

- Vaja Bazierashvili – Sakrebulo Chairman
- Zura Peikrishvili – Sakrebulo member
- Givi Khevkhishvili – Sakrebulo member
- Malkhaz Dabakhishvili – Sakrebulo secratery

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Vano Tsartsidze – Coordinator of Regional Projects Management Department
Gela Samukashvili - Coordinator of Regional Projects Management Department

Aleko Gvaramia – Head of APLR's Legal Research Department

Persons invited to the meetings received a copy of the draft Law and its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meeting was dedicated to the discussion.

Principles and procedures of the draft Law turned out to be acceptable for the sakrebulo members and lessees. They made no specific comments.

Atskuri Sakrebulo, May 25, 2005

On May 25, 2004 there was a meeting held in Atskuri Sakrebulo of Akhaltsikhe rayon. The participants of the meeting were:

- Gela Mumladze – Sakrebulo Chairman
- Jano Mumladze Peikrishvili – Sakrebulo member
- Ramino Gvaramadze – Sakrebulo member

Association for Protection of Landowners' Rights:

Soso Tsikarishvili – Head of Regional Projects Management Department
Vano Tsartsidze – Coordinator of Regional Projects Management Department
Gela Samukashvili - Coordinator of Regional Projects Management Department
Aleko Gvaramia – Head of APLR's Legal Research Department

Persons invited to the meetings received a copy of the draft Law and its provision. Association lawyers briefed on the privatization principles and procedures contained in the draft Law. Regional Projects Management Department staff presented to the guests the visual information, such as cadastre information and maps. The second half of the meeting was dedicated to the discussion.

Principles and procedures of the draft Law turned out to be acceptable for the sakrebulo members and lessees. They made no specific comments.

17 June, 2002

Jaba Ebanoidze

IDEAS ON THE MAIN GOALS AND PRINCIPLES OF THE DRAFT LAW ON ADDITIONAL PRIVATIZATION OF STATE OWNED AGRICULTURAL LANDS.

I. The Main Goals of the Draft Law

1. *Main goal – complete cultivation and effective usage of the agricultural lands existing in the country*

Currently the main part of the sate owned agricultural lands are not effectively used and cultivated in Georgia. It is truth that great part of these areas, that are presented as leased parcels, are cultivated, but at this stage it can be said that the state can not achieve desirable effect.

Some part of state owned lands are not used at all. It is not managed to put them into the legal frameworks. Coming out from the mentioned some part of the state owned lands is left outside the budget i.e. taxation of these lands is not managed.

The main goal of the Draft Law on Additional Privatization of State Owned Agricultural Lands is effective cultivation and usage of the land.

In order to achieve the goal some objectives presented below should be implemented:

1.1 Involvement of the agricultural lands remained in the ownership of the state in land market.

Currently only those privately owned agricultural lands are involved in the land market, privatization of which was conducted through the land reform. Privatized agricultural lands equal only to 27-30% of the total agricultural land.

All other lands like leased lands or non-leased state owned lands are not the part of the land market. They are left outside the market that reduces the possibility of their effective usage: cultivators are not motivated and the lands are used inefficiently. No arrangements are made on the mentioned parcels. The State loses fiscal possibilities and the land remains in the ownership of inefficient cultivator.

Coming out from the mentioned, one of the goals of the Draft Law is involvement of state owned lands in land market that will greatly promote submission of lands to the effective cultivators in ownership and the agricultural lands will be at last used effectively over the

whole country. Inclusion of these lands in the land market will significantly increase the number of arrangements and promote further development of land market.

1.2.Effective usage of the leased land parcels

The agricultural land areas privatized through the land reform are very fragmented, the average parcel equals to 0, 22 h. During the implementation of the reform it was supposed that exactly on leased large land parcels strong farming activities should be established. Analysis of today's situation clarifies that the part of leased territories is not cultivated and in the best occasion has minimal effect.

How to use leased lands effectively:

- One of the valid ways for effective usage of leased land parcels is privatization of lands. Namely submission of these lands in the ownership to private entities by the state. How to implement this privatization process is presented hereunder in the next chapter.
- The second method for effective usage of leased lands is the development of "lease market". In some cases the lessee has not possibility to cultivate fully the land parcel. As the lease tax rate is comparably minimal the lessee not leaves the parcel, but currently existing legislation not allows the lessee to make changes to the ownership right except leaving the parcel. The fear of losing already undertaken expenses forces the user to proceed again ineffective usage of the land. In such case it would be better to allow the user to alienate his/her obligations. In case of alienation/selling of the lease right, the new lessee will be automatically accountable before the state under the same terms as the previous lessee. Though this way after some period the land will be submitted in the ownership to the effective cultivator.

Through current legislation implementation of this process is so difficult that the cases of lease right alienation do not even exist. The main reason of the mentioned is that it is impossible to submit the rights to the new lessee without interference of the state. This legislation should be simplified that would promote lease market development.

1.3. Elimination of the corruption in the sphere of state owned agricultural land management through privatization

Legislation regulating the process of agricultural land leasing exists in Georgia. At one glance this legislation ensures publicity, transparency and legality of this process, but in real life we meet with different cases that points to the inefficiency of this legislation. The commissions, which make decisions on leasing, create additional bureaucratic and corruption mechanisms in many cases. Control over the lessee (preserves or not the lessee the conditions of agreement) is not exercised. In some cases the conditions of the agreement are violated, the lease payment is not paid, land is not cultivated, but effective mechanism to control the mentioned is not working, which points to the weaknesses of this process. Confiscation of the land in case of violation of obligations is almost unknown for land leasing practice. The land is returned back to the state by the initiative of lessee.

There are two ways to come out of this situation:

First – To strengthen and improve the legislation regulating land leasing processes. Through active co-participation of the local self-government the process should become more transparent and public and effective mechanisms of control should be worked out. If we will take into the consideration existing situation, how the government fights against the corruption, it can be said that the mentioned will not be implemented in nearest decade.

The second way for exclusion of bureaucracy and corruption from land leasing processes is privatization of lands, their submission in the private ownership. The state through cooperation with the self-government should leave management and control functions of mentioned lands, which should be implemented through market principles – taking into consideration private interests.

1.4. Development of lease market

The lease market is not yet developed in Georgia. Lease arraignments on agricultural lands are minimal. What is the reason of the mentioned? What obstructs lease arrangements?

The answer to this question is quite simple. Today the person who desires to acquire the land for agrarian activity has two ways:

- The person should purchase or lease land parcels from private entities, consolidate and broaden them, which are connected to quite difficult and specific arrangements and may not have a success.
- The person should address the state, land leasing commission, and lease lend for the term of 49 years through very little lease payment and without any control.

From these two alternatives, of course, the person chooses the second one. Exactly the lessee right used improperly by the state is obstacle for lease market development in the country.

The state should leave the function of lease market's mediator, simplify the procedures and make possible to alienate lessee right.

1.5 Access to the land. Supporting the farmers to purchase additional lands

According to the reform implemented in 1992-98 each household received maximum 1,25 h of land parcel. Such parcels are very small for performing and developing family and especially farming activities. In the report of Euro Commission it is stated that such parcels are too small for agricultural activities and too large for usage as residential parcels. Coming out from the mentioned, it can be said that the reform could not satisfy any level of village habitants, land distribution was implemented inefficiently. The farmers and village habitants have a will to purchase additional lands. The goal of this Draft Law is to make possible for farmers and peasants to purchase lands from the state. This will promote releasing land management from corruption and allow the farmers to receive necessary land parcels without additional difficulties.

1.6. Making possible for the village habitants to manage lands for common use

Some of agricultural land parcels, namely pastures, are the lands of common usage for the habitants of sakrebulo. But today these lands are leased out free of charge to sakreulos and the management of sakrebulo collects pasture taxes. The local self-governing bodies-sakrebulos coming out from the subjective reasons do not and can not control usage and protection of these lands.

It is time to grant the population with broader rights for managing these lands. These lands should be submitted in common usage to the population of sakrebulo (and not to the local self-governing body). The main goal of this Draft Law is exactly to make possible for habitants to manage these lands, establish payment rates, control usage of these lands and etc.

II. Which lands are subject or are not subject to privatization through this Draft Law

1. General Information on Agricultural Land Statistics

1.1 State-owned land that is not leased

Table No.1

Total Agricultural Lands				Privatized		Leases (Excluding Samachablo and Abkhazia		Remaining Lands (Excluding Samachablo and Abkhazia)		Agricultural Lands in Samachablo and Abkhazia	
Year	1985	2000	2001	2001	%	2000	%	2000	%	2000	
Total Agricultural Lands	2,981,400	3,018,500	3,019,700	762,100	25.2%	957,500	31.7%	1,048,000	34.7%	252,100	8.4%
Including:											
Arable	783, 200	790,400	792,900	434,800	14.4%	270,400	8.9%	48,000	1.6%	39,700	1.3%
Perennial Plants	357,000	270,100	269,300	181,800	6.0%	32,800	1.1%	20,700	0.7%	34,000	1.1%
Mowing	173,000	142,500	142,300	41,300	1.4%	59,100	1.9%	31,900	1.0%	10,000	0.3%
Pastures	1,652,500	1,796,100	1,795,800	84,800	2.8%	595,200	19.7%	947,400	31.4%	168,400	5.6%
Residential	15,400	19,400	19,400	19,400	0.6%						

1.2 Leased state lands

Table No.2

	Data of year 2000	Lands that can be privatized	Lands that will not be privatized
Total state-owned lands that are not leased (except for Samachablo and Abkhazia)	1 048 000		
Including:			
Arable	48 000	48 000	
Perennial Plants	20 700	20 700	
Mowing	31 900	31 900	
Pastures	947 400		
Including: Pastures in alpine zone Pastures for common usage, for tourism and etc.	 919 000 28 400	 ??? (Pastures existing within the boundaries of sakrebulos will be transferred to common ownership of the population)	 919 000 28 400 (???) (Except for pastures existing on the territory of sakrebulo)

1.3 Information on remaining farms (that are subject to privatization)

Table No.3

	Data of year 2000	Lands that can be privatized
Total leased lands	957 500	
Including:		
Arable Consisting of: land leased to private persons leased to educational-scientific and force structures	270 400 178 000 92 400	 178 000 ???
Perennial plants Including: land leased to private persons leased to educational-scientific and force structures	32 800 22 600 10 200	 22 600 ???
Mowing	59 100	59 100
Pastures	595 200	**???** (Pastures on the territories of sakrebulos will be transferred into common ownership of sakrebulo residents)

III. Privatization of state-owned lands that are not leased and are subject to privatization.

According to what – chargeable or free of charge- principle should these lands be privatized?

In 1992-98 the reform of the agricultural lands was implemented. This reform was mainly socially oriented, after which the Georgian citizens had the possibility to receive in private ownership some land parcels (maximum 1, 25h) free of charge and produce agricultural products that on one hand would have given them the possibility of family sustenance and on the other hand would have assisted the country to overcome complex social problems and food deficit.

The reform has some positive results, especially from the social viewpoint, but this reform was also accompanied by some flaws. For example land fragmentation was named as one of the main flaws – that is the serious problem for further development of agriculture and also farming and family activities. In other words we have some flaws from economic viewpoint.

At the first stage of reform it can be said that free-of-charge privatization was, to a certain extent, justified. We can call this stage the stage of social orientation reform.

At the current stage on the agenda is the issue of privatization of remaining agricultural land, we also have a certain experience of the first stage of land reform – 10 years have passed and this is a sufficient period of time for analysis.

If we continue reform from the social point of view – i.e. if we still fragment the remaining land and distribute it to rural residents, this will not make a significant change in the social or economic situation of the family or person that receives this land parcel. This will not cause any social or economic effect – neither for the state, nor for recipient families.

Land is one of the most important assets of the state, which needs to be utilized. It is probably time for the state to get certain economic results through privatization of such land. The effect, which is partly expressed by the funds gained through privatization, must not be understood literally. The approach that the state budget should receive a large amount of money through privatization will be incorrect. Mainly, this economic result will be that land will be cultivated efficiently, it will become an element of transactions and the market, owners will pay the tax and finally, these land parcels will exist in the state as valuable property. All potential land parcels will become part of the taxation space, i.e. will be taxed.

At this stage it is expedient for privatization of remaining land to be chargeable, i.e. for land to be given to those, who want to cultivate it, who want to expand their farms, receive income from their activities, etc.

Proceeding from the above, this draft Law has to be oriented only towards chargeable privatization and economic effect.

How will this land be privatized – through simple open competition

When we are talking about economic results of additional privatization of remaining land, it is important to distinguish well the following several types:

- Revenue received directly from purchase amounts during privatization;
- There appears a private owner of land, who annually pays the land tax and this also becomes a source of stabile income for the state;
- Through privatization, the state receives valuable property, this property becomes an object of transactions, an element of the market and is also a source of income for the state, through transaction fees;

- The state receives land, which is being cultivated and owners, who are trying to use this land as effectively as possible.

Of the economic effects listed above, I would like to separately single out the first one and consider the rest of them together and thus compare them to one another. The state should be more oriented towards later effects. It is important not to burden the privatization process with high purchase amounts. We are saying not to burden, since, whether we want it or not, this process will, to a certain extent, be loaded with the difficult social and economic situation of the population.

Proceeding from the above, the draft Law must not be oriented towards a united effect achieved through privatization of remaining land (meaning reception of one-time purchase payment). Exactly proceeding from here, it is desirable for as many citizens as possible to have the opportunity of taking part in privatization and buying land parcels.

It would be desirable, for privatization of this category of land to be carried out through the rule of simple open competitions (not auction). What we mean under simple and open competition is the following:

- Before the competition, those willing to participate in it, submit applications, that they want to take part in the competition and undergo registration;

- The competition itself is held openly, in the presence of the village population and a special commission. Competition participants, at a special separately placed table, write on competition application sheets, prepared for them, the prices and leave these sheets on the table, with the front page facing the table.

- A commission member looks at each of the applications and takes note of who had the highest bidding price. The person with the highest bidding price is considered to be the winner.

- On the spot, in the presence of those in attendance, there publicly takes place signing of the special Act between the buyer and the commission, which later becomes the basis for registration of the ownership right.

Why a competition and not an auction?

First of all, we have to become well aware that those willing to purchase land, are rural residents and farmers. Persons of this category do not possess serious financial savings – their capabilities are limited.

If privatization is carried out through auction (i.e. if there begins a process of bargaining between those willing to purchase), local residents, due to their limited means, will turn out to be at a disadvantage. Separate individuals at an auction can always manipulate funds, which ordinary peasants and farmers do not possess the means to do.

As to competitions, competition participants fix their money amounts once. In this case there functions quite a normal psychological tendency – not to write a too small amount of money and not to lose, and also not to write a too high amount of money and not to waste your money senselessly. In such case, this psychological tendency has an effect both on an ordinary peasant and on interested persons. During a competition, there is a higher chance that a person, proceeding from his/her interests, will take a one-time decision on the money amount. This way, the possibility of ordinary peasants also buying land is higher.

Who will have the right to take part in this competition – restrictions

As is noted above, ordinary rural residents have a great desire to purchase land. Proceeding from this, it is important to create an adequate competitive environment for rural population. For that purpose it is necessary to establish the following specific restrictions:

Competitions in several stages have to be announced on particular parcels – if there will be no persons willing to purchase at the first competition, after a certain period of time there will be announced the second competition and so on.

The right to take part in the first competition will belong only to residents of the village or sakrebulo. At the first stage, persons not residing in the village should be banned from taking part in the competition.

At the second stage of the competition, any Georgian citizen will have the right to participate. Also legal entities.

Who carries out privatization – commissions

Privatization process needs unified coordination. It would be desirable if this function is not assigned to one agency. It also should not be assigned to several agencies at the same time. For example, only the SDLM or the Ministry of Agriculture, both of them, etc. It would be desirable to form a special central commission, members of which will be representatives of various agencies and also representatives of NGOs. For example, a representative of the Ministry of Agriculture, a representative of the SDLM, a representative of the Ministry of State Property Management, a representative of the Ministry of Environment Protection, a representative of our Association, a representative of "Elkana", a representative of the appraisers.

This commission will be approved and will assume the responsibility for conduction of the process in accordance with the law. This concerns the central commission.

It would be desirable for local special commissions to be also formed on location, in each sakrebulo. In these commissions will be represented local residents (5 persons), representatives of the sakrebulo (2 persons), a representative of the SDLM (1 person) and a representative of the Ministry of Agriculture (1 person). This commission should be approved by the local sakrebulo, meaning that direct personification, selection and approval

of members, should be carried out by local self-governance. (The sakrebulo itself must not be this commission).

Representatives of the population will control the process, so that private persons do not privatize any common use land. The sakrebulo will have its two representatives in the commission. Also, rayon SDLM offices will make sure that no land, which is strategically necessary for the state, is privatized.

Local commissions oversee preparatory activities, identification of parcels to be privatized, their segmentation into optimal areas and submission of entire documentation with sakrebulo for approval. After approval by sakrebulos, the commission organizes tender competitions and prepares agreements (special acts) and provides signatures (as representing the state).

Who provides tenders and other organizational matters – private companies or Association

Above are presented good work principles for the commissions, nevertheless, there is a question – how should these activities be implemented and funded. There are two possible ways to solve this question:

First – Let's say that the donors refuse to assist and finance this process. Than the Commission hires private companies through tenders to conduct preliminary works. They will prepare written information and provide awareness by the public in separate Sakrebulos. They will survey areas subject to privatization and will divide them into parcels through consultations with the commissions. They will prepare all sorts of documentation, written information, sketches and organize tender competitions. For financing these companies, participants will make advanced payments to participate in tenders. This money will not return back to participants.

Second – If the USAID or other donor finances these activities, donors cover overall preparatory costs that predetermines high quality work products. If USAID agrees, our Association can implement these activities pretty effectively. That is to say that we'll prepare information for village population, work with the Commissions, and become responsible for the overall preparatory activities. Also, we shall supervise the entire process and etc.

How will the privatization funds be paid

The State should not expect to obtain fiscal effect at once from agricultural lands privatization process. The State should be oriented on long-term fiscal effect, which will allow the population to gradually redeem their lands. In addition, through such privatization, the State will have better fiscal benefit at the following stages, such as land taxation, transaction fees, property tax, increased Gross Domestic Product and etc.

Based on these suppositions, the values of parcels identified through tenders may be covered by buyers gradually, over some period of time. E.g. the State may allow the villagers to pay the prices of the lands during 5-10 years, i.e. to purchase lands through installments, with no interest rate paid to the State.

What will be the effect of this principle – if villagers and farmers are allowed to make payments over several years, this will enable them to mobilize their savings step by step without using their present capital and decapitalization of their properties – that is on the expense of the profit gained from their activities.

On the other hand, if participants know that they will be able to make payments gradually over years, they will be motivated to make the prize higher. After this, the state will significantly profit – the prize of land parcels will be higher than when redeeming them at once.

Registration of rights over lands purchased through tender competitions

There will be a special act signed by buyers and sellers of parcels through tender competitions. This act will verify that some person won in the competition and the price will be recorded.

After signing this act and after making the first payment to the bank, the receipt is submitted with the registrar and he/she registers ownership rights over the parcels as the initial registration. Ownership rights will be registered but with restrictions: if the owners refuse to pay remaining amount of money, the land remains in the state ownership.

Also, there is one issue to be emphasized. A landowner who purchased land through tender competition is authorized to trade with its ownership rights, that is that regardless complete or partial coverage of the price he/she should be able to dispose ownership right with existing encumbrances and a new buyer should be able to cover the amount of money to be paid in the same principle.

Also, at each new stage, after paying following parts of moneys to be paid, after the owner submits with the registrar the receipt, the record card should be amended indicating new amounts of moneys to be paid and this should be chargeable just like a transaction.

Through such privatization process, results will be highly effective. These lands will be involved in the land market immediately after registration, they will become subject of transactions, and they will go into the hands of someone who will farm them well and etc.

Land Bank – Our Ideas

There is an idea about creation of the land bank by the state and the public will have the benefit to take credits and buy lands through tender competitions using these credits.

This seems to be a good idea at a glance. Someone desiring to purchase land will take credits from these banks, will buy lands and will gradually repay the credit. This way the state will have a benefit to gain fiscal effect at once.

But if we look at it closely, this principle has a number of disadvantages:

Currently, the state cannot afford to establish such a bank or fund. Some donor organizations may take care of funding. Generally, a bank or a fund has interest to generate some profit. There should be some interest rate set for the credits complying with overall credit policy of the country that is at least 18%. Otherwise, this fund will deteriorate credit policy of private banks. This interest rate is too high for peasants and farmers living in villages. They will be afraid to take this responsibility and this will significantly discourage their chances to participate in the privatization process.

Lands that will be privatized will have low market prices. If banks issue moneys as credits for purchases and take these lands as mortgages, results for banks will be poor and they may go bankrupt and may fail. Why? If landowners refuse to pay at the next stage, banks will remain with parcels through selling of which they will not be able to reimburse the loss. Landowners will use it as an advantage; the prices will be high at tender competitions and they will leave these parcels for banks later. This method will be illegal way of making money.

Based on this approach, we believe that creation of land banks is not appropriate.

How will the funds gained from tender competition be used and distributed in central and local budgets?

Moneys gained from tender competitions should be transferred to special banking accounts from where the moneys shall be distributed to local and central budgets.

Essential part of this income should be transferred to local – sakrebulo budget and used on development of sakrebulo infrastructure.

The principle of money distribution may be the following: 70/30 i.e. 70% to the local budgets and 30% to the central budget.

IV. Privatization of Leased Land

General statistical information on leased lands

Table No.4

	Data of year 2000	Lands that can be privatized
Total leased lands	957 500	
Including:		
Arable Consisting of: land leased to private persons leased to educational-scientific and force structures	270 400 178 000 92 400	 178 000 ???
Perennial plants Including: land leased to private persons leased to educational-scientific and force structures	32 800 22 600 10 200	 22 600 ???
Mowing	59 100	59 100
Pastures	595 200	**???** (Pastures on the territories of sakrebulos will be transferred into common ownership of sakrebulo residents)

Information on number of lessees and areas

In total, there are 42 900 physical and legal persons leasing parcels, out of them, 36 600 are physical persons and 6300 - legal persons.

- ✓ 341 500 ha of lands are issued to 36 600 physical persons.
- ✓ 616 000 ha of lands are issued to 6 300 legal persons.

Information about dates of lease agreements is the following:

- ✓ 4.8% of all leased areas are issued for 1 year
- ✓ 4.4% of all leased areas are issued for 5 years
- ✓ 67.5% of all leased areas are issued for 10 years
- ✓ 23.3% of all leased areas are issued for over 10 years

2.1 Why are we considering privatization of leased lands?

There are several reasons that make us think about privatization of leased lands:

- Majority of leased lands are not farmed effectively. Some lessees consider these lands as dead capital, which after a while may generate them profit. Also, some particular part of lessees has no high hopes about investments in state lands. In addition, one important factor, making lessees be concerned and discouraging them from serious investments, is negative attitude that the villagers have towards the lessees. Population still remembers communist times, when private ownership was abolished. The similar threat is felt even today especially among lessees. That's why, only usage right, even if it's for 49 years, does not allow the persons to have the confidence of owners. All these partially predetermines ineffective usage of these lands and if the situation remains the same, the State will continue ending up with bad results. Generally, in developed and developing countries, they prefer to lease lands rather than own them. Respectively, there is only one single effective way to solve this problem and that's privatizing these lands;

- Currently, leased land parcels are off the land market that significantly discourages land market development in Georgia. The first best choice would be to privatize these lands and that's how they will become part of the overall land market. In the worst case, the lessee should be given the right to trade these lands with lessee right that will also make those lands part of the market.

- The State cannot effectively manage and control the leased land parcels. The process of leasing is not transparent and the state officials create numerous bureaucratic and corruption tools. Therefore, through privatization of these lands, the state should lose the function of managing and controlling these lands.

2.2 Should privatization be chargeable of free of charge?

Leased lands are the best quality agricultural land parcels. Lessees are holding these land parcels for a long time and they were supposed to receive some profit through well-planned activities.

Leased land parcels are serious capital for the state. It's time that through privatization of these lands, significant amounts of funds were mobilized in the state budget. Therefore, privatization of these lands should be chargeable.

It's time that these lands go into the hands of someone who desires to farm them and can make profit from these activities. Under such circumstances, interested persons should pay money to purchase/redeem lands.

The State should not allow the transfer of these lands to lessees free of charge. This will cause a number of negative results:

- Bad fiscal effect;

- These parcels will be involved in the land market with much less starting value than their real market price. Only after further transactions, their price will come close to market prices that will once again delay the land market development for some time.

- Village population will take this fact negatively as major part of these lands went into the hands of old bureaucrats and oligarchs and the population expects the state to make a fair decision: these lands need to be taken away from lessees or should be sold to them in high – market prices. This will force some of these people to refuse their redemption.

Note: The fact that today we are discussing privatization of leased lands, and the fair decisions made by the State, indicates that lessees' fears about losing lands have some grounds. After developing and establishing land market, when actual potential of each ha will be determined, managing of processes will be significantly simplified.

2.3 Should the lessee be granted with the right of first purchase?

First of all it should be mentioned that according to the Georgian legislation the lessees of the various state property have some privileges concerning the right of first purchase.

The lessees cultivate leased land parcels over the years and have spent some amount on agricultural activities. In many cases the lessees plant perennial plants, which provides output for the lessees after the several years. Coming out from the mentioned, it is appropriate to grand the lessees with the right of first purchase and to spread this principle over all type of lessees.

In order to conduct effectively the privatization of leased lands they should be sold to the lessees according to the market price. We may motivate the lessees through granting them the right of first purchase and they can decide to purchase these lands before expiration of lease term. Otherwise the lessees will refuse to purchase the land and the state will not be able to make any arrangements on these parcels before the expiration of lease term (the state can not abolish lease agreements).

According to this Law that lessee is granted with the right of first purchase, which has registered lease agreement at Public Registry.

If the lease agreement is not registered due to some subjective or objective reasons (such cases are many), the lessee can register it any time and than purchase the parcel. In such cases the registrar should indicate clearly that the registration was conducted according to the previously entered agreement.

If the lessee has not entered the lease agreement and it is not registered, this land will be considered as the ownership of the state and is subject to the direct privatization.

2.4. How is the registration conducted in case of lessee's will?

If the lessee has the right to purchase the land from the state, in this case the market price of the leased land will be identified and the lessee will have to pay this amount.

The state might (it is desirable) grant such lessees with some privileges, to pay the purchase amount cyclically over the several years.

After the lessee has paid the first part of the amount the limited ownership (incomplete ownership) right on the land parcel is registered - i.e. this land will be transferred in complete ownership to the lessee only after paying of the remained amount and in case of non-paying of the amount the state can return the land. The secondary registration of the right should be conducted after each new phase of amount payment and the record of the accounting card concerning the amount to be paid to the state should be updated. Through this way, leased lands (even though they are not purchased completely) will be involved in the land market and the owner would have the possibility to sell its right with existing limitations.

2.5. How is the purchase price -market value of the land – identified?

One of the problematical issues of this Draft law is identification of market value of land parcel or to be more precise, identification of land price enclosed to the market price.

Currently the value of the land parcel is identified during the secondary transaction or through the auctions. In case of purchasing by the lessee the land parcel according to the direct sale rule, none of the mentioned methods will be appropriate. It is needed to choose other directions.

From my viewpoint, in such case, one of the outcomes is to be identified the market value of land parcel by the private appraisal companies.

In Georgia real estate appraisal companies already exist (mainly audit companies). Also the association of appraisers exists that tries to improve the qualification of appraisers and implement international standards. Also it should be mentioned that very soon, probably this year, the Parliament would pass the Law on Appraisal Activity, that is oriented on international standards of appraisement. Coming out from the mentioned we can say that for that time, when the privatization process will be commenced we will have qualified appraisers.

One issue should be taken into the consideration: the leased parcels should be divided into the three categories:

- Small-size- 15-20h
- Average-size – 20-50h
- Large-size – over 50h

Small parcels are cultivated by the farming activities staffed by the farmers and their family members. Their technical and material abilities are little. They have not leased more land parcel, as they have no funds for its cultivation and usage. Even though this layer is considered as the richest population of the village, it is acceptable to simplify amount payment and establish some privileges for them.

Comparably large land parcels are cultivated in a different way. Also legal entities are interested with such parcels. Except of the rare exceptions, it can be said that the largest parcels are leased out to the former bureaucrats. In many cases they cultivate the land parcels through the sub-lessees (at a high price) or wait for the land privatization and consider the land privatization as prospective investment. Exactly this layer of lessees causes antagonistic approach from the population and lessees of the small parcels. Exactly for this reason purchase of the average and large size parcels should be conducted in different way through the payment of real price.

Through such an approach, these persons will be forced to pay a realistic purchase amount or, otherwise, revise their business plan. The mechanism of paying the amount in installments should be retained here as well, but interested persons should know that without funds and a well-calculated business plan, merely taking a parcel is unprofitable for them. Through such an attitude will, to a certain extent, be restored historical justice and the chance of land being used effectively will increase. More so as paying a high rate of the purchase payment through installment mechanism will not be a problem for interested legal entities.

2.6. Whether the lessee should pay the established market price in full or be given a certain privilege to pay only a part of this price – 50%

To be discussed and considered.

2.7. What will happen in case if the lessee does not have the desire?

The lessee should have the right to use the right of first purchase before expiry of the lease term. Meanwhile, if before expiry of the lease term the lessee does not use such right, then, after expiry of the lease term, land is sold through rule of auction to any willing person.

The state does not have the right to terminate the lease agreement before expiry. Lease is one of the forms of ownership. The state acts as the protector and guarantee of rights of the lessees and it is inexpedient to violate this condition so radically. Thus, it would not be justified to talk about termination of lease agreements before their expiry and further privatization through auction.

Despite the lessee's refusal to purchase, leased land must become an element of the market, it must become possible to trade the lessee's right. This will significantly assist the process and increase the likelihood of this land falling into the hands of the person who will use it effectively and also the person who wants to purchase it.

It is necessary for the state to activate certain levers (but not administrative ones), which will push the lessees to either purchase land parcels early or alienate the lease right or to cultivate the land parcel effectively. One of such levers is to increase the lease payment up to a realistic rate. The state always has the right to revise the lease payment and make it closer to the realistic rent value. This way the state itself will also receive serious profit, while those lessees who will not be able to use the land effectively and pay the lease payment, will terminate their agreements themselves or will buy the land early, for the purpose of later selling it.

2.8. *Whether the lessees should be given the right to purchase part of leased land and not the whole land parcel or not?*

Specific land parcels, especially if they are large (lease), have a part, where either buildings and constructions are concentrated or the land is of comparatively higher quality, or there are highly productive plants, etc. As result, this part of the land parcel has a higher or, in some cases, main value rather than other part of the parcel.

If we look at the leased parcel from this point of view and assume, that the lessee can purchase part of the leased land parcel and refuse the rest of the land, this will have a negative result. Specifically: in case of such a right, the lessee will want to purchase that part on which the main assets are concentrated. Through purchase of just this parcel and separating it from the other remaining part, we will get the situation where the value of the other part will significantly diminish or it will completely lose value and there will be no persons willing to buy it.

A specific example: a 100 hectare leased parcel. In one corner of this parcel – near a road, the lessee has built a farm and other constructions and next to the farm he has planted some crops. Let us imagine that the farmer is not able to purchase all of the 100 hectares and has decided to buy only 20 hectares. Those 20 hectares that are located in the corner near the road, with buildings. The farmer has refused to buy the remaining land and this land is subject to privatization through auction. The price of the remaining 80 hectares will significantly diminish without these 20 hectares. It is possible that they will completely lose value (if the access is not good, this land is locked, the new owner will not be able to compete with the owner of the 20 hectares through analogous activities, etc.)

Proceeding from the above ideas, the way out would be the following: the commission should determine and decide whether to give to the lessee the right to purchase part of the parcel. The commission will either not give consent, or if it does, the commission will itself allocate this part, so that the remaining part does not lose its value.

2.9. Sublease

According to current legislation, registration of a sublease is not obligatory. This fact creates an extremely non-transparent and non-public environment. Often there is verbal agreement between the lessee and the sublessee, according to which the sublessee pays 4-5 times more lease payment than the lessee himself.

It is necessary to make sublease subject to mandatory registration, in accordance with this Law. This registration will be based on a sublease agreement. This way, we will have the opportunity of incompletely, but still determining the real profit received from a land parcel and the minimal limit of the lease payment in general.

2.10.The state must stop leasing out the land subject to privatization

As of adoption of this Law, the state must stop leasing out the land, which is subject to privatization in accordance with this Law. Prolonging of the lease terms after expiry should also be banned.

A certain area of agricultural land, which will not be subject to privatization, will still remain in state ownership. Lands, such as: land for development of tourism, recreational zones, certain scientific-research farms, etc. This land may be leased under certain conditions. Thus, the state will have the right to be the lessor of this land.

2.11.Which leased land must not be privatized

To be considered.

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Terra Institute and the Rural Development Institute
September 25, 2004

Privatization of Leases

In Georgia, a significant portion of the country's cultivated agricultural land remains owned by the state. Much of this state land was leased to private parties during the 1990's, and these parties by-and-large still hold these lease rights. Most experts acknowledge that the current lease regime is unsatisfactory, and that the leased land should be transferred to private ownership. How this land should be transferred, and who should become its owner, are questions under debate. This paper examines this debate, and offers an opinion about the preferred course of action.

1. OVERVIEW OF THE KEY ISSUES

The present system of leasing state-owned cultivated agricultural land has proven unsatisfactory. A GTZ study in 2001 concluded that low lease prices and favoritism in the granting of lease agreements has produced:

a) frequent sub-leasing of land;
b) uneven income distribution in the villages because of sub-leasing practices,
c) welfare losses for the Georgian economy because of sub-optimal allocation of land and water resources, due in part to the insecurity of leasehold arrangements (people may hesitate to make investments in leased land because of uncertainty as to the recovery of these investments in future production);
d) significant losses for the state budget because of un-registered sub-leasing arrangements and artificially low rents negotiated by the original lessees[55].

Ebanoidze (June, 2002, p.1) has argued that "leased lands or non-leased state owned lands are not the part of the land market. They are left outside the market, which reduces the possibility of their effective usage. Cultivators are not motivated and the lands are used inefficiently. The State loses fiscal possibilities and the land remains in the control of inefficient cultivators."

Three facts about the current state land lease regime are of crucial importance when considering different courses of action. First is that the land under lease is heavily concentrated. Approximately 8% of the lessees lease 50 or more hectares, and they control nearly 60% of the cultivated state owned land held under lease agreements.[56] By comparison, approximately 63% of the lessees hold 10 hectares or less, which amounts to only about 11% of the cultivated state owned land held under lease agreements.

[55] From Strubenhoff, 2002, and Ebanoidze, 2002.
[56] From APLR lease data base, 2002, see Stanfield et. al, 2003. This data come from a tabulation of information from registered leases. The proportion of land held by the large lessees is probably higher than the data indicate, since some lessees hold more than one lease.

Second, the large lessees generally did not come to control the land through either an open equitable process or an open competitive process, but gained control through connections and influence.

Third, while some large lessees are using the land productively, there is no evidence that they are as a group making the best productive use of the land. In fact, The GTZ study cited above points to favoritism in the granting of lease agreements as a prime factor in the problems that arose with the state land lease regime. And the frequent sub-leasing of land suggests that many large lessees are simply turning the land around to primary producers, extracting rent in the process, and adding no productive value.

A wide variety of approaches to privatizing the state cultivated agricultural land under lease are possible. At the current time, though, two approaches have emerged as those most likely to be adopted into law and implemented. The first approach would give current lessees an exclusive right to purchase the land from the state for a low price. This is the approach taken in the current version of the draft law. The second approach would give current lessees an exclusive right to purchase the land for a low price up to a certain amount, and above that amount the right to purchase for a much higher price. These approaches are explored in more detail below.

2. The Current Draft Law: Land to the Large Lessees

The current draft law provides that all lessees will have the exclusive right to buy the leased land for a low rate of 10 times the land tax. This approach is not controversial as it relates to the 92% of all lessees, who together lease 40% of the land. The controversy arises regarding the remaining 8% of lessees, who lease 60% of the land. Supporters of this approach contend that larger land holders, who are seriously interested in agriculture, will be able to provide their own capital and technical expertise to improve the productivity of the land. They would not be dependent on getting credit in a situation where credit and access to inputs for agriculture are very limited. At the same time they argue that small producers do not have the personal resources to get needed operational capital, and have difficulties getting access to markets for products and inputs, thus will be less capable of improving the productivity of the land. Therefore, the larger lease holders should be encouraged to acquire the leased land in ownership.

Certainly this argument will hold true from some large lessees. But as described above, many (probably most) large lessees are subleasing the land to the real producers, rather than cultivating it themselves. They add no productive value, and are unlikely to do so if they become owners of the land.

In addition, this argument implicitly presumes that large-scale agriculture is more productive and efficient. World experience suggests that this is not the case.[57] Moreover, the prevalence of sub-leasing suggests that the smaller, family producers are more interested in making the land produce and more able to do so than the lessees. The efficiency of input use of small farmers may also be greater than the large lessees. According to one study in Georgia, under equal conditions of credit and market access, smaller operations are more efficient users of land and capital than are larger farms.[58] In another study, it was found that entrepreneurial small scale farm operations have the ability and willingness to buy land under favorable conditions.[59]

Finally, allowing large lessees to acquire ownership over all the land they lease is highly inequitable. Since these lessees acquired their leases primarily through cronyism, granting them ownership allows them to cement their ill-gotten gains, as it were. This will not go unnoticed by the rural population. Meanwhile, access to land is a key ingredient to the economic survival of rural Georgian households. While most households already own some land through prior privatization efforts, more would be helpful since land ownership is strongly associated with increased food security.[60]

3. An Alternative: Requiring Large Lessees to Pay Meaningful Prices to Buy the Land They Lease

Some of the large lessees are using the land productively. Some of the smaller lessees are not able to farm the land productively. The policy challenge is to encourage the entrepreneurs, and avoid privatizing land into ownership of speculative holders rather than of entrepreneurial farmers.

A promising way to meet this policy challenge is to provide lessees an exclusive right to purchase the land they lease from the state for a low price up to a set amount, and to pay a much higher price for land in excess of that set amount. Large lessees who are serious farmers would be able to pay the higher price, while large lessees who are not serious farmers would not pay the higher price, and the land would then become available to purchase by others. For example, the lessee could have an exclusive right to purchase the first 30 hectares of leased land at a rate of 10 times the land tax (as with the current draft law), but would have to pay 25 times the land tax to purchase any land in excess of 30 hectares.

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[57] See., e.g., Hans Binswanger, Klaus Deininger, & Gershon Feder, *Power, Distortions, Revolt and Reform in Agricultural Land Relations,"* in Srivavasan & Behrman (eds.) *Handbook of Development Economics*, Vol. III, ch. 42, 2659-2772 (1995); Nancy L. Johnson & Vernon Ruttan, *Why Are Farms So Small?*, 22 *World Development* 691 (1994); and W. Peterson & Y. Kislev, *Economies of Scale in Agriculture: A Re-Examination of the Evidence*, Staff Paper P91-43, Department of Agricultural and Applied Economics, University of Minnesota.

[58] See Koechlin, Jean and Jegat Mariannick, 1999, and Thiesenhusen, William, 2002. Many studies internationally have shown there to be an inverse correlation between farm size and productivity of the land, i.e., the smaller farms show higher land productivity, while the larger farms show lower land productivity.

[59] See Thiesenhusen, 2002.

[60] National Centers for Disease Control, 2002.

This approach would mitigate many of the problems with the current version of the draft law as described above. Large lessees who are serious farmers will retain their land, while the rest will find it harder to privatize the land they lease, thus making it available to real entrepreneurs. More land should transfer to the hands of small and medium size farmers, who are generally more productive and efficient. And the serious equity issue in the draft law is mitigated to a large degree, since large lessees will at least have to pay real money for the land they originally leased through favoritism and connections, and some of this land should become available to the rural people at large.

But what about those large lessees who are more interested in speculating in land and not in making it produce? Will the draft law inhibit such people from acquiring ownership of the land? The draft law presently has no limitations on how much land can be acquired by the large lessees. However, one argument is that the law would allow the serious large lessee to acquire the land in ownership, and should discourage the less serious. Assuming that the tax rate is significant, this goal would be achieved by fixing the price of the land at 10 times the tax rate. Since the lessees are obliged to purchase all of the land leased at that price, those not interested in making the land produce will not be motivated to invest in the land. However, if the speculator foresees profits from that speculation, such a provision will probably not discourage bidding for the land for speculative and not productive purposes.

Position 2. Land To The Tillers

Many large lessees are not themselves cultivating the land they lease, but rather are sub-leasing the land to villagers, small scale producers[61]. The lessees profit from being charged a low rent by the State, and by charging a higher rent to the sub-lessees. In some cases the lessees may provide the sub-lessees with machinery and other inputs, but the temptation is for the lessees to refrain from providing labor or investing capital in the farming enterprise, and simply profit from their control of the land.

The prevalence of sub-leasing suggests that the smaller, family producers are more interested in making the land produce and more able to do so than the lessees. The efficiency of input use of small farmers may also be greater than the large lessees. According to one study in Georgia, under equal conditions of credit and market access, smaller operations are more efficient users of land and capital than are larger farms[62]. In another study, it was found that entrepreneurial small scale farm operations have the ability and willingness to buy land under favorable conditions.[63]

The Welfare Argument

Some of the large lessees are using the land productively. Some of the smaller lessees are not able to farm the land productively. The policy challenge is to encourage the entrepreneurs,

[61] Strubenhoff (2002), Ebanoidze (2002), Thiesenhusen (2002).

[62] See Koechlin, Jean and Jegat Mariannick, 1999, and Thiesenhusen, William, 2002. Many studies internationally have shown there to be an inverse correlation between farm size and productivity of the land, i.e., the smaller farms show higher land productivity, while the larger farms show lower land productivity.

[63] See Thiesenhusen, 2002.

and avoid privatizing land into ownership of speculative holders rather than of entrepreneurial farmers.

Another important policy objective is the welfare of the population. A large portion of the population is rural. The State Department of Statistics shows that outside of Tbilisi and Adjara, 66% of the population of Georgia is rural. In some regions where leasing of state owned agricultural land is most extensive (Kakheti, in particular), the population is over 75% rural.

For such a predominantly rural population dependent on agriculture, access to land is important both from a family survival and production point of view. In general, land has special importance for rural households, since farming it contributes 2/3 of their income[64]. This source of income is also important for the residents of small cities whose mode of life does not significantly differ from that of rural residents. Nearly ¼ of their income is received from agricultural production, albeit on a small scale. Moreover, approximately 90 percent of the country's households have some income from land. Among the most important predictors of household food insecurity is lack of land ownership. Households owning relatively more land were more food secure than households owning little or no land for cultivation.

By encouraging rural families to acquire leased land in ownership, we might expect that over the long term these new landowners will make the decisions to make the land produce and meet their family and income needs. Being owners also enables them to make the decision whether to keep the land and work in agriculture or to shift to other occupations. Having the land in their hands enables them to make that decision themselves in the future, rather than being forced to migrate in the very short term because of lack of land access.

The Law and the Lessees

In summary, there are arguments in favor of the large lessees becoming owners of the land they presently lease, and there are arguments in favor of the smaller producers becoming owners of more land than they presently lease. There are arguments that the well connected elite will mobilize resources for farming, and opposing arguments that they will simply speculate with the land and use their land control to exploit the local land poor.

Rural welfare arguments as well as the notion that widespread and equitable land ownership is the basis of political democracy[65] would tend to support efforts to limit the amount of land the large lessees could acquire in ownership, particularly the large lessees who are not involved in the efficient and sustainable cultivation of the land, and to encourage the amount of land the smaller producers resident in villages could acquire in ownership. Following privatization, the entrepreneurial owners can use market transactions, including leasing in of land, to add land to their holdings to fit each special case.

[64] National Centers for Disease Control, 2002.
[65] Thomas Jefferson and his followers used this argument successfully to launch the land distribution program in much of the colonial United States.

The present draft law does encourage the large lessees who are not serious about cultivating the land, to give up their leases by establishing a "high" price for the land per hectare, which when applies to large areas of leased land, would require substantial financial outlays. The law also requires the large lessees, as all lessees, to offer to purchase the entire leased land area, and not parts of it, which ensures the substantial financial outlays necessary for the purchase of the larger parcels of land.

The law also favors the village farmers in instances of special auctions, by specifying a lower asking price (two times the land tax) and by limiting the participants in such auctions to residents in the community where the land is located. Such auctions are applicable to land not leased, including land for which any previous leases have expired or have been cancelled.
The law favors both the large and small lessees by giving them five years to pay of the land that they buy, which is probably more important to the small lessees than the large ones.

On balance, the land to the tiller option is favored in the law. But if one accepts this conclusion, the question is whether these measures in the law are sufficient to favor the smaller producers capacities to acquire the leased land and to actually become the predominant owners of the privatized land under the provisions of the law.

An analysis of the feasibility and likely effects of several measures for improving the chances of the small holders to acquire land in ownership should be introduced:

Outside of the law

- Increase the rental price for leased land, with an exemption for leased land of less than 10 hectares. Such a measure might encourage the large lessees to abandon at least some of their leases.
- Allow the sub-leasing of land but improve the security of tenants (sub-lessees).
- Improve the management of existing leases to be sure that the small and medium lessees have valid lease agreements, and to enforce the collection of rents and the monitoring of the uses of the leased land.
- Clearly decree that no more leases of state land should be concluded, at least for parcels larger than 10 hectares, and that no extensions of leases can be granted, at least for parcels larger than 10 hectares.
- Other ideas should also be explored to encourage the entrepreneurial small holder option

Inside the law

- Respect the lessees privileged right of purchase, but limited to some maximum amount of land, e.g., 30 hectares. All land in excess of that limit is to be put up for special auction, and then open auction.
- Eliminate the requirement that lessees must have registered leases in order to have direct purchase rights. A signed lease contract should be enough to exercise such rights. Requiring a registered lease agreement will favor the larger lessees, who will find a way to register the agreement, while the villager lessees may be prejudiced.
- Require lessees to exercise their direct purchase rights within a reasonable period of time, such as 5 years. After this time the rights to buy the leased land expire, even if

the lease has not expired. This would be a way to help speed privatization, while still respecting lease contracts.

- Reduce the price paid by small and medium lessees so that direct purchase will be more affordable to them, thus more of them will become owners
- Reduce the required payment for auction participation from GEL 20 to GEL 10, to make the participation in auctions less onerous for the people with low incomes.
- The state should exercise its Civil Code rights to cancel all leases at the ten-year mark (this does not need to be done in the law, though it would be helpful)
- Exempt the smaller producers from having to produce a down payment.
- Encourage lessees of parcels under 10 ha. to purchase the land without allowing the lease to expire and forcing the land into auction. The price could be twice the land tax, or the current lessee payment, or some other amount that is reasonable. Payment should be spread over several years with no down payment required. Going this route could potentially save the state the expenses of thousands of auctions of small parcels. That alone might make this arrangement attractive to government. It also should be politically attractive.
- Under the present version of the law, other modifications may be warranted.

What is the Situation?

Many of the above stated opinions concerning the draft law are based on the May, 2003 version of the law, and should be checked against the latest version. The involvement of the Ministry of the Economy in the lease conversion decisions versus such decisions being made by local privatization commissions, as apparently is the intention presently, should be described and evaluated.

From a practical point of view, the arguments made above are based on personal knowledge or shared convictions which are not well grounded in fact. The APLR has conducted a pilot study of the land leasing situation in nine Sakrebulos, and is able to use that information in order to guide policies concerning the privatization of leased land. That information could be used to answer the following questions:

1. Lessees and Sub-lessees
   - Who has current legal rights to the State owned agricultural land, and who is currently using the land? Many of the lessees have allegedly sub-leased the land to others. How extensive is this practice?
   - What has been the history of leasing of land in the Sakrebulos—have people leased and then abandoned the leases?
   - Where are the lease agreements kept (Public Registry? Sakrebulo Office?) Who knows which lease agreements are currently valid and in force?
   - Do the lessees provide significant services to workers or sub-lessees? If so, which of these services could be lost if the lessees do not become owners.

2. Validity of lease agreements
   - How many lease agreements are registered and how many not registered, according to size category? It may be the case that the smaller lessees could be injured by a provision to consider unregistered lease agreements as invalid.
   - How many lease agreements are not valid (expired, not properly prepared) according to size category? It may be the case that many large leases are not valid, as could also be the case for many small leases. What could be done to improve the proportion of valid leases for the small lessees?

3. Comparison of large, medium and small leases, and owned land.

   How does leaseholder family income (including consumption of food produced on the land), production for sale, labor use, input use on leased land compare for different size categories of leased land and with land that is owned? We could compare leased land use with owned land use for the same people. Also we could compare leased land use in general with owned land use. There is a common perception that much of the leased land, especially in the large leases, are not used productively. Is this the case on average? Are there instances of large lessees using the land productively? Are there smaller lessees who do not use the land productively? How can the productive producers of any scale be encouraged?

4. Impact

   How many families will acquire land in ownership under the lease privileged purchase as well as under the auction provisions of the draft law?

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The Development of a Non-Government Organization for Re-Defining Property Rights in Georgia

USAID support to the development of land markets in Georgia began in 1977 following a visit by a USAID delegation to Georgian officials in the first part of the same year. During that visit, the existing situation was assessed and by the end of September of the same year the Project had started. Experience of analogous works carried out by USAID in former soviet republics served as basis for the Project works. The US government financed the first project activities in the form of humanitarian-technical assistance through grant funding, via a contract with Booz-Allan & Hamilton company.

At the beginning of the Project there was no unified legislative framework, which would directly regulate land-related issues. Land reform itself (which started in 1992 by "privatization" of agricultural land and free of charge allocation of certain area of land to people) was carried out without such legislative framework being in place. This was the reason for leaving non-agricultural or urban land without consideration.

Laws and normative acts at that time were contradictory and insufficient. No unified legal analysis of existing legislative framework had been made. A complete reference book of land-related laws and normative acts was prepared by the Association for the Protection of Landowners' Rights (APLR) through the grant obtained from Eurasia Foundation. However, the reference book did not include legal analysis of those laws but only assembled them in one publication—a very useful step, but only a first one.

The BAH Project staff and specialists from the APLR started their activities by researching and analyzing existing legislative framework. The improvement of the legislative framework for agricultural as well as non-agricultural land was the prerequisite of land market development in Georgia.

Due to the successful law drafting activity, the Parliament of Georgia has adopted the draft laws prepared by the Land Market Development Project and the Association for the Protection of Landowners' Rights:

- Law on Declaration of Private Ownership of Non-agricultural Land in Use of Physical and Private Legal Persons
- Law on Land Parcel and Related Immovable Property State Registration Fees
- Law on Amendments to the Law on Land Parcel and Related Immovable Property State Registration Fees
- Law on Amendments to the Law Agricultural Land Ownership
- Law on Amendments to the Law on Administration and Disposition of State-owned Non-agricultural Land

- Order of the President of Georgia No. 327 "On Urgent Measures for the Initial Registration of Agricultural Land Ownership Rights and Issuance of Registration Certificates to Citizens of Georgia"

The Project initially focussed on the issues of non-agricultural land, specifically land under and around enterprises which were being privatized. This direction, in itself, was more unexamined compared to agricultural land and therefore, due to the Project interests were considered as potential part of land market. It was necessary to carry out work in various directions, namely; studying of public opinion, getting familiar with the opinion of owners or entrepreneurs (who owned the property of enterprises, but the land under the enterprises was in their use) and preparing legislative initiatives.

As we have mentioned before, Project lawyers prepared numerous recommendations for legislative body of Georgia in order to establish a legislative framework related to non-agricultural land more beneficial or effective for the state as well as land users (entrepreneurs). As a result of productive cooperation of the BAH staff and the APLR with the national legislature as well as with other relevant agencies, on October 28, 1998 the Parliament adopted the Law on Declaration of Private Ownership to Non-agricultural Land in Use of Physical and Private Legal Persons.

Privatization envisaged in the above-mentioned law included privileges for owners and at the same time turned out to be beneficial for the state. In parallel with assisting in privatization process the Project also worked on improving the procedures for registering rights to the privatized land parcels. Initial registration, which was supposed to be official confirmation of privatization, should have been transparent and free of bureaucratic impediments, but instead often served as the source of corruption. Upon the initiative of the Project the list of documents required for privatization and registration was decreased to minimum. It is important to mention that under the assistance of the Project certificates have been prepared for non-agricultural land parcels and issued to owners. In this activity the principle was established of pushing the privatization of land through to the initial registration of such parcels, the legal requirement for the exercising rights of private ownership.

In the beginning of the same year, 1998, research on issue of agricultural land parcels was also done. Although allocation of land to the population (privatization) was mostly completed, ownership certificates had not been issued. The new "owners" received the so-called Receive-Delivery Acts from the State Department for Land Management, but for a certain price, which was rather high. Receive-Delivery Acts confirmed the right of usage, not that of ownership. The price itself, which was being paid by the population, was envisaged for preparation of the Receive-Delivery Acts. The price was the reason why 70% of the population had not received the Acts. It was necessary to carry out unified cadastre works and based on them to carry out initial registration and preparation of certificates. However, the state and the relevant body (SDLM) could not afford these works and planned the works in the hope of assistance from donor organizations for the near future. It should be noted that this final certification by the state was also planned to be charged to the new owners. At the same time a World Bank Project had already started a pilot program of land cadastral works in Georgia, which was conducting work on the basis of two rayons.

The Land Markets Development Project undertook studies concerning the privatization of agricultural land. In August 1998, simultaneously with work on privatization of non-

agricultural land, the project started a pilot effort in two sakrebulos of Zestaponi rayon, for producing survey plans of the privatized parcels of agricultural land and their initial registration in a rapid and effective way. The project envisioned the actual issuance of Certificates of Ownership, and the provision to the Registration Offices of Property Cards and Maps.

At this time, the Project in association with the APLR had opened its offices at the Georgian Parliament and State Chancellery. While using these offices and, again, in cooperation with the APLR, the Project was raising the initiative of implementing free-of-charge initial registration and simple requirements towards preparing parcel maps. The reason for such an approach was the difficult social–economic situation and the necessity of rapid development of the land market in such conditions.

Upon recommendations of the USAID, the Project and the APLR, the President of Georgia approved the Decree No. 327 on May 16, 1999. Based on this Decree, initial registration was declared free-of-charge and, at the same time, the conduct of parcel mapping began to be carried out using simplified methods for the purpose of acceleration of initial registration. With the field work completed in the Zestaponi Rayon, a ceremony was held in Zestaponi on May 26, 1999, based on conducted work, in Zestaponi rayon was held where the President of Georgia personally presented ownership certificates to the new land owners. This was the first time a public event had been held for such a purpose. The presentation was attended by the US Ambassador and other officials, both from the Georgian and the US Governments.

Success of the pilot project in Zestaponi rayon initiated expansion of project activities into 20 rayons during 1999, and another 20 rayons were added in 2000. The field work and preparation of registration materials and certificates were done for each rayon in the project. This work was carried out by private companies which, with the Project's assistance, had been supplied with office computer equipment and, where necessary, also with field geodesic tools. As result of this methodology, assistance to formation and development of private companies was also carried out. Office processing of completed field cadastral work was conducted by these companies through use of computer equipment and unified software, based on which the produced and printed registration documentation was submitted to the SDLM land registration offices in rayons, for inspection and registration.

In the beginning of Project activities, public opinion negatively evaluated the transfer of land into private ownership, since this process was naturally followed by sales of land parcels. Dozens of seminars, meetings with landowners, topographers, surveyors, farmers, brokers, representatives of banks, state agencies, the NGO sector and mass media were held. Dozens of ceremonies of issuance of certificates confirming ownership on land were held throughout all of Georgia. These events were attended by representatives of international projects and the US government, President of Georgia, Chairman of Parliament, MPs, Chairman and employees of the SDLM, landowners. The ceremonies were widely covered by the press and TV. Public opinion had changed drastically. In a 1995 poll of members of Parliament, 75% were against "privatization" and four years later in 1999, parliament leadership tried to organize a pro and con debate about the desirability of privatization. Not one member of Parliament would take the con position.

As result of conducted work, by the year 1999 in Georgia already existed a wide stratum of landowners of both agricultural and non-agricultural parcels. It became necessary to provide support to them for the purpose of conducting secondary transactions, i.e. the land market itself needed to be activated. The Project played the role of a catalyst in this process as well. With assistance of the Project were formed private companies, which provided brokerage activities to agricultural landowners. The service which they provided to landowners was free-of-charge. These companies provided free-of-charge assistance to both purchasers and sellers of land, as well as to persons interested in mortgages or hypothecation of land. They practically conducted mediation between the SDLM registration offices, banks and other credit organizations on one hand and landowners on the other. This mediation also partly ensured transparency of the registration process.

In May, 2001, the APLR began its collaboration with Terra Institute with whom USAID had developed a Cooperative Agreement, whose objectives are:

- *Complete Registration of Title to 2.4 million Agricultural Reform Land Parcels*
- *Help Energize Secondary Land Market*
- *Strengthen and Formalize Professional Groups Involved in Real Estate Market*
- *Communicate Real Property Registration Information to a Wide Public Audience*
- *Prepare New Legislative Initiatives*
- *Develop Active Policy Dialogue around Land Policy Issues*

Terra and the APLR have an agreement to work together to achieve these goals, and to work toward the sustainability of the APLR once the agreement with Terra is completed in June, 2003.

What has been achieved to date?

Land Markets:

By the end of the year 2001, there had been registered at the Registration Offices the following number of secondary transactions:

Cumulative Totals by Year:

	1998	1999	2000	2001	% Increase over 2000
Sales:					
Total No. of Sales	1,686	2,244	4,456	10,874	144%
Ag land	N.A.	1,485	2,628	6,357	142%
Non Ag land	N.A.	759	1,828	4,517	147%
Mortgages					
Total	N.A.	993	2,473	5,571	125%
Total of secondary transactions		3,237	7,287	16,445	126%

The land market has started to function. By the end of 2001, there were a total of almost 11,000 sales registered, and over 5,500 mortgages. There had accumulated 6,357 sales of agricultural land by the end of 2001, with an increase of 144% during that year. The accumulation of agricultural land sales represented about 60% of all accumulated land sales by the end of 2001.

By the end of 2000, there were approximately 1 million registered agricultural land parcels, whose owners had ownership certificates in their hands. The 3,729 ag land sales in 2001 represented only 0.4% of all registered ag land parcels, however, so the market is only beginning.

The non-ag land transactions include many types of properties. Estimating that there are 4.9 million people in Georgia, there are approximately 800,000 housing units in the country. Most of these housing units had been registered in the Bureau of Technical Inventory, but none had been initially registered in the new Registration Offices. So, any transactions involving these properties required special initial registration procedures. If all of the non ag property sales in 2001 involved housing units, the 2,689 sales would represent just 0.4% of all such properties. Clearly the urban land market is only just beginning also. But it is beginning.

It is necessary to support the greater dynamism of land markets. In 2000, one of its hampering factors was considered to be the high rate of registration fees, which were unaffordable to landowners. In accordance with the Law of Georgia on Land Parcel and Related Immovable Property State Registration Fees, the fee for secondary registration was GEL 26. This amount in light of the bad economic situation of Georgia, was unprofitable both to the state and the landowners. Because of severe social conditions, landowners were unable to pay this amount and were conducting secondary transactions unofficially, without secondary registration. Such conditions were not only impeding the development of land market, but might have become the reason of devaluation of privatization results. As a result

of APLR's and the Project's cooperation with the Parliament regarding this issue, on November 8 of 2000, amendments on decreasing the fees were made to the Law on Land and Related Immovable Property Registration Fees. Based on which the fee of 26 GEL was reduced to 7 GEL. Besides that, there was envisioned a number of other privileges, which were necessary for unimpeded development of land market.

Initial Registration:

The APLR's sector of initial registration engages subcontractor companies to conduct field activities. These activities include the surveying and mapping of privatized agricultural land parcels, the preparation of parcel index maps, the preparation of Registration Cards for each parcel indicating who the owners are, and the preparation of Registration Journals and Base Maps. These materials are turned over to the Rayon Registrars at the end of the initial registration process for their use in recording transactions as they occur.

Ownership certificates are also prepared and distributed to the new owners as part of the initial registration process. With the registration cards and index maps in the Public Registries, and with their ownership certificates, the beneficiaries of the agricultural land reform become owners of land without bureaucratic barriers and payments. They can bequeath, buy or sell land parcels, mortgage them for the purpose of receiving a credit from a bank and developing farming.

By 31 March, 2002, the Terra/APLR project had issued 655,790 parcel ownership Certificates to approximately 171,000 farmers, for a total since 1998 of 1,655,790 certificates issued (the BAH project had issued 1 million such certificates by October, 2000). Farmers' ownership rights to land have been officially legalized through the efforts of the APLR and the Registrars with the significant cooperation and assistance of the Land Arrangers of the State Department of Land Management.

Land Market Support:

The Land Market Support Sector of the APLR works with the development of Broker and Valuer Associations as well as other land market professionals (notaries, registrars in particular) to improve their professional capabilities. This sector also obtains statistical data and analyzes land market tendencies as support to efforts to improve the policy and legal environment of the new market based economy. This sector also provides information to landowners during the process of initial registration and subsequent secondary transactions.

Public Education:

The public education sector conducts a campaign of increasing public awareness, based on active work with landowners, farmers, various layers of the population, government agencies, NGOs and representatives of the mass media. The sector also manages preparation of quarterly TV programs, which are aired on the First Channel of Georgian Television. Beginning this year, the sector began publishing a 12-page newspaper, which will reflect the

work carried out by the Project and problems of the land market, already formed in Georgia. Other public education activities include:

- *Seminars, workshops, and public meetings to discuss and debate land registration and policy issues*
- *Surveys to gain citizen input*
- *Preparation of a series of TV programs and press releases*
- *Organization of a* Citizens' Information Center *at APLR headquarters and in the APLR regional offices to handle problems and complaints (Kutaisi, Telavi, Gori and Akhaltsikhe have regional APLR offices, proposed offices are to be opened in Zugdidi and Ozurgeti.*

Legislation and Policy:

The Legal and Policy Research Sector of the APLR prepares the projects of legislative initiatives and amendments, which will be submitted to the Parliament of Georgia, and coordinates policy studies. Duties include:

1. *Prepare legislation addressing privatization of remaining large agricultural parcels, and other land policy issues*

   The Project has helped prepare draft laws "On the Privatization of the Agricultural Land Existing in the State Ownership", changes and amendments to the Law "On Land Registration:, changes and amendments to the Law "On Registration Fees". After the discussion and correspondingly adoption of these draft laws by the Parliament the Project plans to take an significant part in implementing the privatization of agricultural land existing in the state ownership.

2 ***Identify institutional and procedural problems with land registration system, & propose appropriate solutions through meetings and discussions with the Registrars, Notaries and officials from BTI.***

3 ***Develop national (and South Caucasus regional) dialogue on land policy issues:***

   - Land administration system
   - Land management and planning
   - Property market development
   - Sustainable agriculture and rural development
   - Environmental resource management & protection
   - Economic growth and poverty alleviation
   - Sustainable housing and urban development

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Quality Control:

The Sector of Quality Control and Audit controls the information obtained by the sub-contractors in regions. With this mechanism the control is accomplished according to the hierarchy and the mistakes and inaccuracies are completely excluded.

Compared to the previous years of the work of the APLR and BAH, this sector is an innovation. The reason is that the initial registration work results must be of the highest accuracy, and this monitoring will catch errors before the cards and maps are given to the Registrars, and will encourage the sub-contractors to conduct their work with care.

It should be noted that from the beginning of the Land Market program in 1998 until October 2000, the financial and administrative responsibility was carried out by the American company Booz-Allen & Hamilton on the basis of the Agreement that BAH had with USAID. That agreement expired at the end of October 2000 and the Project in fact temporarily stopped functioning. With the encouragement of USAID, the implementation of the Project management had been transferred to the Association for the Protection of Landowners' Rights together with the American non-profit organization Terra-Institute. Terra's role has three main aspects, 1) strengthen the APLR in organizational terms to become self sustaining; 2) assist the APLR with defining and modifying the methods of initial registration, the strengthening of land market institutions, particularly the Public Registries and the professional self regulating organizations involved in the operations of land markets; and 3) encourage linkages between the APLR and international organizations and other NGO's with similar mandates.

The cooperation and facilitation which has been established between the APLR and the State institutions, as well as with donor organizations, are noteworthy. These relationships which the APLR has cultivated, are of critical importance for achieving the immediate goals of the project, as well as for the long term sustainability and effectiveness of the APLR. For example, the APLR has developed the following agreements:

- With the UNDP for the implementation of a comprehensive initial registration program in the Gori Rayon, for all properties, urban and rural, publicly and privately owned.
- With KfW for sharing orthophotos and integrating the initial registration efforts of the two projects.
- With the World Bank Land Registration Unit for dealing with the property rights conflicts in the peri-urban community of Dighomi where the World Bank team has had difficulties with the SDLM representative. In this situation the APLR has worked with community leaders to provide the Bank's contractors with access to local records about land rights and transactions, and to control the improper actions of a local SDLM official.
- With BP for a public education program explaining to property owners the process of acquisition of land for the use of the pipeline, and for representing the property owners in cases of disputes.

The APLR is developing other possible collaborations with the Swedish International Development Agency for a program of training for Registrars, with GTZ for improving the operations of the Tbilisi Registration Office, and with DFID for an arbitration/mediation program for resolving property disputes.

There are also opportunities for cooperation and synergies with other USAID projects which have been initiated or will be sought with:

- *Oil / Gas Pipeline Corridor (PA Consulting)*
- *Ministry of Agricultural and Food Restructuring for the further privatization of agricultural land and the restructuring of SDLM and the Ministry (DAI)*
- *Ministry of Revenue Tax Administration Reform (Barents)*
- *Dispute Mediation Services (CARE)*
- *Local Governance (Urban Institute)*
- *Rule of Law / Training of Judges (ABA / IRIS)*
- *Regional Land Policy Dialogue (Eurasia Foundation)*
- *Others (e.g., Proposed Agri-business Project)*

Directly related to the APLR long term sustainability, the following work has been done or is underway:

- *New Charter adopted, and Board of Directors elected*
- *Administrative and financial* Procedures Manual *developed*
- *Professional Development training for staff members underway*
- *Member services and products to be increased and improved*
- *Membership to be increased, and financial sustainability to be achieved*

The APLR's future vision and focus is moving from a primary focus on registration of privatized land, and aims to:

- *Address a broader agenda of rural development issues (e.g, land consolidation; agri-business development; information dissemination; support of farmers' legal & economic interests generally)*
- *Provide national leadership for other professional organizations involved in the real estate market*
- *Participate as a national-level NGO in a variety of issues (e.g., local elections and governance; corruption fighting, etc.)*
- *Develop land policy dialogue and conduct land policy research at national & regional (South Caucasus) levels*

REPORT ON

A SELF REGULATING ORGANIZATION "UMBRELLA STRATEGY"

FOR THE

LAND MARKET DEVELOPMENT PROJECT

25 October 2001

Prepared by the

Association for the Protection of Landowners' Rights (APLR)

and

Terra Institute, Ltd.

In cooperation with the International Real Property Foundation (IRPF)

Under the Land Market Development Project

Financed by USAID

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1. BACKGROUND

The Land Market Development Project (LMDP, based on the Cooperative Agreement between Terra Institute and USAID) originally envisioned the following land market organizational development activities:

1.1 APLR

The APLR financial management and organizational capacities will be strengthened, and a professional development (training and related activities) program will be instituted.

1.2 SRO's for Land Market Professionals

Land market professional associations which group key professionals, such as cadastral surveyors, notaries, brokers, auctioneers, and appraisers, will be strengthened where they already exist (as is the case with brokers, appraisers and notaries, at least on paper for the former two groups), or created where the do not exist and where there is sufficient interest and justification (surveyors and auctioneers). In addition, the creation of an association of Registrars will also be encouraged, although the public employment status of such persons will require special attention to avoid any conflict with public employment laws and practices.

These associations are referred to in the LMDP as Self Regulating Organizations, which means that the professional members of the various associations will regulate the professional activities of their own members. By the term "regulate" is meant develop a professional code of ethics, establish requirements for being a recognized professional, monitor the quality of the work done within the profession, improve the exercise of the professional duties through training programs.

1.3 Umbrella SRO

The original concept was for there to be a coalition of these professional associations and the APLR in an umbrella SRO, which would coordinate policy and professional development to ensure the further development of a viable land market in Georgia. This umbrella SRO would allow a synergistic relationship among the various associations to develop, such that the professional associations would benefit from APLR lobbying, legal/policy advice and public education support. Similarly, APLR would benefit from the financial assistance the professional associations will render to it. This unified network approach was based partly on the assumption that the size of the Georgian economy does not support the emergence and sustainability of several independent real estate SROs.

2. ACHIEVEMENTS OF THE LMDP CONCERNING THE SRO THEME, IN THE FIRST FIVE MONTHS

2.1 Assessments/studies of land market professions:

The following studies have been done on the SRO theme: Giorgadze report on appraisers (18 August 2001), Songulia Report on real estate market firms (7 September 2001), Arsenashvili Report on Registrars (6 September 2001), Flynn report on Real Estate Assessment (27 September 2001, trip report and executive summary), and Shatirishvili report on brokers (15 October 2001).

2.1.1 Real Estate Brokers

Businesses engaged in real estate transactions include the following activities: repair and sale of real estate, sales of private real estate, leasing of private real estate, real estate transactions based on agreement or commissions, activities of real estate agencies and real estate management based on agreement or commission.

Thus, there are 429 organizations officially registered in Georgia (firm, company, bureau), which conduct their activities in accordance with the above definitions.

Approximately 100 of these firms operate as brokers in Tbilisi, which is obviously the main real estate market in Georgia. There are about 10 brokerage firms outside of Tbilisi. In total there appears to be between 400-500 people working as brokers in Tbilisi. This community is relatively unsophisticated with many small organizations that are relatively unprofitable. There are no dominant players in the market although several of the companies have branched and appear to be more active in the "upper end" of the business. The soft economic conditions have contributed to the deterioration of property values, which has slowed down the business and made it even more difficult for some struggling companies to prosper. It appears that the real estate companies are assisting in less than 20% of the market as individuals will go direct and sell direct and generally have a moderate to low opinion of the real estate professional.

The Georgian Real Estate Association does exist since 1999 with a reported 100 individual members from 22 companies, although these numbers are disputed by outsiders saying that that number is substantially inflated. The current dues are $2 per member per month of which it is report 60% are paying. There are no significant programs, products or services, however. The GREA needs considerable restructuring and business planning. There are sufficient numbers of quality brokers in the marketplace to provide the leadership and drive for the association to grow and be successful. Past efforts to assist in the development of his association have largely been ineffective. The Eurasia Foundation which had provided financial support to he GREA considers it to have been a "failed project."

It is important to note that according to some insightful informants, **one of the fundamental problems with the brokers association was that it was "mandated by USAID that you will have a real estate association" and that it wasn't built from the bottom up.** If correct, it indicates that we need to carefully plan the role we take in the forefront of developing the activities of the association.

One important activity of the Land Markets Development Project has been assistance to landowners in conduction of real estate transactions in rayons. For this purpose the Project has processed contracts with the firms that are assisting landowners in various rayons of Georgia in conduction of secondary transactions. Currently with the Project are cooperating 6 such subcontractors, who work on all of the territory of Georgia (except for Tbilisi). These companies have been asked them to provide information on land markets in rayons, in order to determine, how developed is the real estate market outside Tbilisi. It is also possible to organize a meeting with the above-mentioned subcontractor firms, where we would have a chance to discuss more widely and in detail various issues related to the situation existing in rayons from the point of view of the real estate market development.

2.1.2 Appraisers

By law, real estate appraisal in Georgia is a prerogative of audit companies.

The audit firms officially registered in Georgia include firms which register commercial operations for business and other enterprises, prepare financial reports and analyze these reports and confirm their accuracy, prepare income tax statements for individuals or enterprises, provide consulting services and representation on client's behalf (except for legal representation) before tax agencies.

Using these definitions, currently in Georgia there are officially registered 327 audit firms, which conduct activities in accordance with the above-mentioned definitions.

There is a Georgian Federation of Professional Asset Valuators formation, with a charter and business plan. It was chartered and registered in 1999 and has on paper 50 individual members (none have paid any dues). It has a board of directors of 5 people.

The appraisal industry is slow in Georgia, largely because the initial transfer of assets were done far below real values, and it was not in the agencies involved in privatization interest to require any professional and independent appraisal. As a consequence, there are no appraisal standards and very few individuals are involved in it.

The Federation's main purpose is to establish the profession, separate appraisal from the auditing function and to provide training and background so that effective appraisal can be done. The association has translated the International Valuers Councils Standards into Georgian and is making copies available to elected officials and ministers to demonstrate the importance of having separate international standards for the appraisal industry.

Although the GFPAV's business plan shows an elaborate organizational chart, this organization exists basically on paper. There are no dues, no staff and only one committee is functioning that one being the Standards Committee. They hope to start the Federation by the funds from a Eurasia grant that they have prepared and will submit in the next two weeks.

There are about 150 people who effectively work in the appraisal industry in Georgia (even though there are 327 licensed). There are not many assignments available for each

practitioner, there being less than 1,000 appraisals being ordered in a year in all of Georgia. Deloitte and Touche does 4-5 appraisals per annum. Banks have their own in-house appraisal specialists and do not necessarily go to outside third party individuals for confirmation.

In a proposed new bankruptcy law, there would be requirements to value fixed assets in the reorganization when and if companies filed a type "Chapter 11" Bankruptcy, which may generate more demand for appraisal experts.

There is in place throughout the country guidelines for the "mass appraisal" of real estate to put "taxation value" on properties throughout the country.

2.1.3 Developers

In Flynn's trip report, according to one informant there are 6 or 7 companies or individuals in the market that do involve themselves in property development, but that there were no substantial developers outside of the work that they were doing. Many of the small buildings (i.e., hotels) that are being built are from either retired state officials or wealthy individuals that were just building a business. According to Kote, many construction companies look a bit like developers, but were really being hired by either individuals or the existing development community to construct the housing or commercial buildings in the market.

2.1.4 Notaries

There are 218 notaries in Georgia, about half of them in the Tbilisi area, that are organized under the "Chamber of Notaries." This chamber functions as an "official" organization mandated by law. Each notary must contribute 10% of their fees to support the chamber and it had 15-20 staff members. One difficulty with the notaries is that in the event that if anyone makes a mistake, there is no redress or insurance. Also there is not enough data compared between the notaries and their quality control is questionable.

The Chamber of Notaries is planning to undertake a series of training and information dissemination workshops throughout the country for member Notaries. A primary purpose of these workshops will be to communicate to Notaries the policies and procedures of both initial and secondary real estate registration activities. The Head of the Notary Chamber has requested APLR and LMDP to provide speakers and organizational assistance for such workshops, and APLR has agreed in principle.

2.1.5 Land Surveyors

The assessment of this profession has not yet been carried out. But due to the various cadaster and registration projects underway in Georgia (USAID, GTZ, World Bank, KfW, UNDP mainly), there has been a substantial development of companies capable of carrying out fairly sophisticated land surveys and preparation of parcel index maps, the basic work of cadastral surveyors. Land surveyors also carry out other activities, such as pipeline, road, and other infrastructure surveying and mapping, surveys for locating of buildings, etc.

APLR has asked for expressions of interest from subcontractor firms who are working with the LMDP regarding the creation of a national Land Surveyors Association. To date, no expressions of interest have been received. Additional work will be needed to explain the purpose and benefits of such an Association.

2.1.6 Auctioneers

The assessment of this profession has not been completed. There are relatively few people who work as auctioneers, and they serve primarily in the privatization of public properties, as public employees.

2.1.7 Real Estate Managers

According to the Department of Statistics, there are only 14 firms that declare real estate management to be one of their functions in all of Georgia.

2.1.8 Registrars

In the initial stages of the LMDP, the involvement of the Registrars in an SRO was not considered. However, due to the importance of this profession in the development of active land markets in Georgia, we have done a partial assessment of this profession.

The Property Registration system in Georgia is a department in the State Department of Land Management. Consequently, registrars who register real estate transactions, are considered to be officials of the SDLM.

In accordance with this Law, Georgia is divided into registration zones, which largely correspond to rayons. Jurisdiction of one registrar extends to one registration zone. Registrars are managed by the Chief (federal) Registrar, who issues instructions and orders, execution of which is mandatory for all the zone registrars.

In accordance with the legislation, the Chief Registrar is automatically considered to be a Deputy Chairman of the State (federal) Department of Land Management, zone registrars are similarly automatically considered to be deputy Heads of local SDLM offices. An exception is the city of Tbilisi, where the Chairman of the SDLM for Tbilisi is also the registrar of the city of Tbilisi.

Due to the existing meager budget in Georgia, it can be said that registration offices in Georgia are not being financed at all adequately. The State does not manage to finance the SDLM offices minimally, which, in itself, affects the income of registration offices. Registration offices are not provided with office supplies and special equipment, which would enable them to conduct registration of real estate without obstacles. Moreover, small financial capabilities and dependency upon the state bureaucratic system creates a threat of development of corruption.

In light of this situation, one possible solution would be if registrars became hierarchically and economically independent from the state. It is noteworthy that there has already been prepared a draft Law with this objective in mind, which awards some economic independence to registration offices at the first stage. For example, all fees established by law would be directly transferred to the accounts of registration offices. In other words, registration offices are proposed to become dependent on the number of transactions.

The more transactions are carried out at the registration offices, the more will increase the income, which will be spent on registrars' salaries and maintenance of their offices. This measure will, on one hand, make registrars interested in registering as many transactions as possible and, on the other hand, will support development of the land market in Georgia.

The next stage is awarding full independence to registrars. For that purpose it would be expedient to establish a self-regulatory association of registrars, which would support the training and certification of registrars. This means that the position of a registrar would be non-state. As result of obtaining a license or certificate, private persons would have the right to carry out registration of real estate, within the limits established by law.

One option would be to provide assistance to registrars for the purpose of formation of their professional union, so that in the future it may turn into a self-regulatory non-state organization.

2.2 The APLR

The Association for the Protection of Landowner's Rights was registered in accordance with Decision No. 2705 of the Ministry of Justice of Georgia, October 28, 1996, as a public association of citizens. Its former director, Vano Merabishvili (from 1996-1999) is currently a member of the Parliament and Chairman of the Economic Reforms Committee.

The APLR had an initial mission of getting information to the farmers about rights regarding their land. In 1997, the Eurasia Foundation started funding some of their activities, which then started growing exponentially. They provide landowners with free consultation and information about protecting their rights. The land development project run by Boos Allen provided even a greater opportunity for growth. APLR was one of the early indigenous organizations to provide data and services directly to USAID funded projects. They served as a provider of information on land development and on local laws and regulations as well as creating a bridge to governments.

As policies were developed, there was a need for legal framework, and the APLR helped draft some of those legislative initiatives. They also assisted in distributing the best data on land privatization in the market place that they found a lot easier to do with American assistance especially from USAID.

They also worked on privatizing commercial land, and they lobbied a plan that land could be purchased for one year's taxes (which is now 2 years). They also assisted entrepreneurs in the speedy purchase of land from the government. They developed the simplified registration of

land process with the certificates, and their future mission is to watch that new barriers to the acquisition and exercise of property rights are not created and to be sure to avoid corruption.

Other activities of the Association have included:

- Lobbying to suspend a Tbilisi municipality proposal to award monopoly powers for property development to a couple of companies;
- The campaign to eliminate the results of corrupt practices in the distribution of property rights in a village on the border of Tbilisi, including the suspension of the land arranger involved;
- The acquisition of a plot in land by an environmental organization for the encouragement of household garden plots to supplement families' food supplies.
- The production of numerous radio and television programs and newspaper articles publicizing obstructionist practices of government employees opposing the distribution of land to farmers;
- This year the Association entered into an agreement with Terra Institute to implement the Land Market Development Project, being responsible for the administration of $4.75 million provided by USAID.

In general policy terms, the achievements of the APLR are numerous, and the extent of public opinion change in relation to the ownership of land is impressive. In a 1995 poll of members of Parliament, 75% were against "privatization" and three years later in 1998, they held a pro and con debate about the desirability of privatization, and not one member of Parliament could take the con position.

In organizational terms, the APLR has:

--established a strong financial management capacity, by creating a financial department with well trained staff, using the ORIS financial management software adapted for producing timely and accurate reports on the financial status of its projects.

--defined an administrative structure, hired and trained staff, for the implementation of its projects;

--prepared an administrative procedures manual for guiding the ways decisions are made for the implementing projects and for assuring the internal controls on financial operations according to generally accepted standards;

--prepared and approved an amended charter for the present and future development of the association.

--held a full membership meeting to adopt the amended charter and select a new Board.

-- There are 69 members of the Association from various rayons and representing various professions (see table), having had their last membership meeting in July, 2001. At present the members do not pay dues, although in the charter dues payment by members is

foreseen. The five member Board does determine the general overall direction of the association

3. NEXT STEPS: RE-THINKING THE SRO UMBRELLA STRATEGY

3.1 Two Paths

For encouraging the development of the land market institutions, the Georgian LMDP is based on the efforts of the APLR, an NGO which was born out of the struggle to create widely distributed property rights. The APLR is administering that project for the initial registration of 1.4 million parcels of agricultural land, the stimulation of land markets in rural areas, the education of the public about the rights and responsibilities of property ownership, and the devising of options for laws, regulations and policies for the encouragement of dynamic and properly functioning land markets. This project has a life of only two years but a large budget and ambitious goals.

The SRO umbrella strategy originally envisaged:

1) the rapid creation and strengthening of land market professional associations, and
2) their linking into an umbrella organization along with the APLR

to assure the viability and effectiveness of the professional associations and the APLR in the future.

The original strategy also wanted to avoid the earlier broker association development model, where USAID and Eurasia funds were offered to some people working as brokers to form and build an association People took the money, and there is an association, but it is largely stagnant, poorly viewed by many brokers, and labeled as a "failed project" by one of the donors.

In the LMDP, the idea is to take a more "grassroots" approach, building the professional associations and the APLR step by step, using a "two-path" model:

Path 1: Development of the APLR

Along this path would be to develop the capacities and scope of the APLR, through diversification of funding, management training, membership mobilization, and provision of services to the landowning public and to the professionals who also provide services to the landowning public.

Following this path, the APLR will structure its membership to include landowners, public servants, and land market professionals as well as bankers and insurance companies. In essence the APLR becomes the "SRO Umbrella" organization.

Path 2: Development of Land Market Professional Associations.

Where there is a demonstrated commitment by professional groups to the formation of professional associations, and through extensive consultation and testing of their resolve, provide training and advice on the strengthening of the association, and only where a clear and short term need exists, provide financial support from the LMDP.

Bridging these two paths are the members of the APLR and the members of the professional associations who shape coalitions on specific issues.

3.2 Path 1: Development of the APLR

According to the Charter of the Association, as amended in July, 2001, its ambitious goals are:

- Protection of the ownership right on land and real estate, guaranteed by the Constitution of Georgia;
- Increasing civil and legal awareness among landowners;
- Solid protection of landowners' rights;
- Assistance to the population in realization of the ownership right on land (real estate);
- Supporting formation and development of the land market;
- Creation of the information base in the sphere of land ownership, necessary for the population;
- Facilitation of formation of such regulatory environment, which ensures transparency and implementation of public principles in the sphere of protection of land ownership;
- Development of activities of the Association through implementation of various projects;

In a general sense the Association's mission includes providing consultancy and to be an ombudsman for small landowners as well as larger land entrepreneurs with the government bodies and agencies.

In the consultancy sphere, in addition to the Land Market Development Project, the APLR successfully competed for an initial registration project funded by the UNDP.

The Association has also prepared a project proposal for the Eurasia Fund to expand its operations to include all government contacts with the farmer.

Another initiative is for the provision of legal services to the small farmer and urban property owners, and another in the legal arena is the provision of mediation services for land related conflicts.

These initiatives indicate that the APLR is looking at diversifying its funding sources for expanding the services it offers to the general public.

The APLR is looking carefully at what constituents it is serving and build an organization that would provide programs, products and services to those constituents. Some constituents that appear to be within their mandate would be as follows:

- Farmers
- Landowners in general
- State agencies involved in land administration
- Public utilities
- Entrepreneurs/developers or occasional builders
- Bankers interested in mortgage financing
- Property insurance companies
- Land market professionals (see above)
- The World Land Planning community (World Bank, United Nations, Eurasia Foundation, etc.)

In terms of financial sustainability, there should also be dues for all members. At least some dues payment by its members would demonstrate more serious commitment to the organization, as well as provide financing for organizational development.

In addition, the association should expand its membership to involve and embrace all the constituencies they hope to serve. Revenue models should be developed with each of these constituencies to generate income for the future self-sustainability of the organization. It appears that the best sources of income would be membership dues, service fees (from various publications and information bulletins, reports, programs and products), and lastly grants from grantor organizations throughout the world, including a reasonable "indirect cost" rate for helping to finance the costs of maintaining the organization.

A good possibility would be to build a grassroots organization under APLR not unlike the "Farm Bureau" in the United States which has chapters throughout all of rural America that deal with agribusiness issues, legal issues and legislative process. The U.S. Farm Bureau also has developed a substantial source of non-dues income through insurance programs and the like.

In terms of its strategic and business planning assistance, the LMDP (through the IRPF and Terra as well as with the assistance of the specialists of the APLR and other Georgian professionals) should help APLR carefully define its constituents, develop programs, products and services that the constituents find of value and develop revenue sources to underwrite the costs of future ALPR activities (i.e. membership dues, service fees and grants/contracts).

3.3 Path 2: Land Market Professional Development

3.3.1 Brokers

The LMDP program of real estate association development, with the participation of specialists from the IRPF and APLR's Secondary Transactions Sector, should begin with

basic assistance in such areas as: mission definition, leadership development and mobilization and consensus building. As an extension of these activities and as a consensus is forged, each association will develop strategic and business plans.

The APLR could create a "brokers chapter" in its membership structure, for those brokers in Tbilisi and throughout the country who have worked with the APLR, who demonstrate an interest in collaboration with other professionals in the proper functioning of land markets, and who the APLR could recommend to others as competent and reliable brokers.

3.3.2 Appraisers

The Appraiser Association that has been formed appears to have adequate support from the Eurasia Foundation. However, the LMDP will maintain contacts with this association to be able to provide support that the Eurasia grant does not cover.

3.3.3 Property Developers

This is too small a group at present to consider for a separate association development, but they can be incorporated into the realtor's association if there is sufficient interest.

3.3.4 Property Managers

This is too small a group at present to consider for a separate association development, but they can be incorporated into the realtor's association if there is sufficient interest.

3.3.5 Auctioneers

Due to the small number of these professionals, and their specialized functions, there will be no capacity for developing a separate association. To assist with the privatization programs that are ongoing, the APLR will develop a training program to be offered to these individuals in order for them to acquire a professional certification of their having passed that training program. The cost of preparing the training materials will be paid by the LMDP, but the cost of conducting the training will be covered by fees paid by the participants.

3.3.6 Notaries

A training program in conjunction with the Chamber of Notaries will be developed. The financing of that training program has yet to be finalized.

3.3.7 Land Surveyors

A list of all cadastral land surveying companies and their technically qualified staff will be compiled from the lists of subcontractors having performed adequately in the conduct of cadastral surveys for the USAID, GTZ, UNDP, KfW, World Bank, and SDLM. An assessment of the identified individuals will be conducted to determine the interest in and

need for a land surveyor association, and what services that association would provide to its members.

In the meantime the APLR could open a "land surveyors chapter" in its membership structure, for those individuals and companies who the APLR certifies as having performed well as cadastral surveyors, and who could be recommended to perform similar services for others, and who would have access to APLR training programs in cadastral surveying and related techniques.

3.3.8 Registrars

Since registrars presently are under the control of the SDLM offices, at the first stage it would be necessary to hold several seminar conferences with registrars, where there would be raised the issue regarding economic independence for them while guaranteeing that they would carry out the public service of registration of transactions in a professional way. Such gatherings should be held, until the Parliament introduces amendments and additions to the budget Law, as result of which registrars shall obtain economic and political independence.

It would be desirable to advise to registrars, at meetings, to form a professional union, which will take care of protection of their rights and independence. Through establishment of such an organization, the struggle against state bureaucracy regarding granting of independence to registrars will be much easier.

A "Registrars Section" could also be created within the APLR membership structure for those Registrars who are interested in developing linkages with other land market professionals.

ANALYSIS OF REAL ESTATE MARKET DEVELOPMENT IN GEORGIA

Ó **Association for the Protection of Landowners' Rights**

Tbilisi
2004

CONTENTS

1. INTRODUCTION

2. DEFINITION OF FACTORS INFLUENCING THE FORMATION-/DEVELOPMENT OF LAND MARKET IN GEORGIA

2.1. Privatization of State-owned Agricultural/Nonagricultural Land and other Real Estate
2.2. Creation/Development of a Unified Land Cadastre and Registration System
2.3. Land Tax, Property Transfer Tax and Notarization Fee
2.4. Execution of Purchases through a Bank Credit with a Real Estate as Collateral
2.5. Insurance System Development Level
2.6. Migration of the Population

3. LAND MARKET DEVELOPMENT ANALYSIS

3.1. Land Market Transactions
3.2. Agricultural Land Market Development Trends
3.3. Nonagricultural Land Market Development Trends

4. LAND MARKET DEVELOPMENT PROSPECTS

4.1. Reforms Necessary for Land Market Perfection/Development
4.2. Prediction of Hypothetic Growth of Land Market Transactions

5. STATISTICAL DATA (ANNEXES)

Annex 5.1. Agricultural Land Balance
Annex 5.2. Number of Land Market Transactions
Annex 5.3. Land/Real Estate Purchase and Sale Cases
Annex 5.4. Land/Real Estate Hypothecation (Mortgage) Cases
Annex 5.5. Land/Real Estate Donation and Legation Cases
Annex 5.6. Nonagricultural Land Lease
Annex 5.7. Number of Land Purchase and Sale Cases in Georgia by Years
Annex 5.8. Number of Hypothecation (Mortgage) Cases in Georgia by Years
Annex 5.9. Number of Land/Real Estate Legation Cases in Georgia by Years
Annex 5.10. Number of Land/Real Estate Donation cases in Georgia by Years

1. INTRODUCTION

Land is the major resource of a country and its rational management is the priority precondition for social justice and the country's economy strengthening. The effective use of land and other real estate in a country is possible through real-estate market mechanisms. Only a market can secure the transfer of land in ownership of its effective user.

Given the above, together with other market economy institutions, the real-estate market formation/development shall be regarded as one of the priority directions of a country's economic policy.

The present work aims at analyzing the land market development process and outlining the market development prospects in Georgia.

2. DEFINITION OF FACTORS INFLUENCING THE FORMATION AND DEVELOPMENT OF LAND MARKET IN GEORGIA

2.1. Privatization of State-owned Agricultural/Nonagricultural Land and other Real Estate

The land market analysis in Georgia should naturally start with the consideration of the land privatization process. If not for the legalization of the private property right to the major resource of the country – land, to speak of the land market development would be senseless.

The foundation for land reform and respectively for the land market development in Georgia was laid after the state-owned agricultural and nonagricultural land has been privatized.

Agricultural land reform

The process of agricultural land reform in Georgia began in 1992 when a "privatization fund" of 0.8 million ha of land was established covering roughly 30 percent of all agricultural lands. Out of this Fund lands were distributed to rural households free of charge. Up to 1.25 ha of land area was distributed to the farmer households that resided in villages and towns and up to 5 ha of pasturelands were received by the farmers engaged in cattle breeding in the highlands.

This stage of land privatization in Georgia was devoid of a stable legal basis. In order to rectify this situation in 1993 the Georgian Cabinet of Ministers passed Decree # 503. This Decree established the form of an acceptance act/certificate that to this date is considered as the main legal document for granting ownership of agricultural land to households.

In 1996, the Parliament of Georgia passed a Law "On Private Ownership of Agricultural Land." According to this Law, all governmental resolutions granting agricultural land ownership rights to the citizens of Georgia were considered legitimate.

By 1996, nearly 4 million land parcels totaling 930,000 ha had been allocated to 1,040,000 persons. However, the majority of new owners did not obtain acceptance certificates because they were unwilling or unable to pay for their completion cost (GEL 26 per parcel at least). This circumstance impeded the process of initial land registration and interfered with the land market formation/development. In addition, the government was unable to finance the survey activities and preparation of other legal documents necessary for registration of ownership to the land. The initial registration process of land ownership was implemented with the help of a number of international organizations operating in Georgia.

In consequence of the aforementioned process, the average area of land parcels being in private ownership makes 0.22 ha. As a result, land parcels are highly fragmented, with low productivity and therefore does not encourage acceptance by banks as collateral.

Despite privatization, nearly 75 percent of arable agricultural land remains in state ownership, which may be regarded as the privatization process shortcoming. 30 percent of the state-owned land is leased out (Agricultural Land Balance see in Annex 5.1).

Nonagricultural land privatization

Private ownership of nonagricultural land did not exist prior to November 1997. Land parcels possessed by private persons were deemed to be the state property. In the course of the first stage of privatization of nonagricultural land, housing privatization was carried out without privatizing the land on which the property stood neither the land adjacent to the property. The Civil Code declared that nonagricultural land parcels under individual houses and apartment buildings were under private ownership.

The second phase of privatization covered industrial lands. In 1998 the Parliament of Georgia passed a Law "On Declaration of Private Ownership of Nonagricultural Land in Use by Natural and Private Legal Persons". Under it natural and private legal persons were granted the right of ownership to the agricultural land parcels that were allocated to them prior to the enactment of this Law under a land ownership certificate. The Law did establish a one-off symbolic payment to obtain ownership rights which was equal to the annual land tax.

2.2. Creation/Development of a Unified Land Cadastre and Registration System

Based on the principles of a market economy, the perfect market functioning requires the availability of reliable and correct information. The real-estate market, being one of the constituent mechanisms of a market economy, is subject to similar laws. Its successful and proper functioning requires that the subjects operating on the market be provided with the necessary for them information. The process of land registration and land cadastre aims at legalizing land ownership and providing the subjects operating on the real-estate market with reliable information.

In order that the land registration and cadastre system functioned perfectly and facilitated the real-estate market development it should meet the requirements as follows:

a) Information reliability and completeness;
b) Information publicity;
c) Information accessibility;
d) Effective services;
e) Effective administration.

In 1996 a Law "On Land Registration" was passed. Under it the registration offices being subordinate to the State Department for Land Management[66] – the Public Registries – were in charge of registration of the origination, transfer, restriction and suspension of any rights to a land parcel and the property immovably attached thereto. Any right to a land parcel and real estate becomes legally valid only after its state registration. Information available in the registration offices and the Public Register is open to public.

In order to accelerate the initial land registration and cadastre process, a whole number of international organizations provided technical and financial assistance. On May 16, 1999 Presidential Edict # 327 "On Urgent Measures for the Initial Registration of Agricultural Land Ownership Rights and Issuance of Registration Certificates to Georgian Citizens" was issued. This Edict has been implemented with the help of the United States Agency for International Development (USAID).

In order to ensure that the process of initial registration was transparent and less time-consuming, a decision was made, under the Presidential Edict # 327, to minimize the number of documents required for land privatization and initial registration. The land registration process simplification was a significant fact because it accelerated the land market development in Georgia. According to the latest data, nearly 2.5 million agricultural land parcels have been registered as private.

The industrial land privatization process was also accompanied with initial registration. Enterprises were instructed to produce the registration-related documents for privatization purposes.

It may be said that the ownership right registration to the land in Georgia has been carried out successfully. The success was conditioned by the factors as follows:

- Simplification of red-tape processes;
- Minimizing the number of documents necessary for registration;
- Establishing minimum and real registration fees.

2.3. Land Tax, Property Transfer Tax, and Notarization Fees

The level of real-estate tax rates, land tax, as well as a tax on real-estate transactions effects the land market development and its activity.

[66] Following the reorganization, the State Department for Land Management continues functioning as the Land Management Department under the Ministry of Justice of Georgia.

Property tax – the Tax Code of Georgia establishes property tax which is calculated based on the property value. In general, the high level of tax on real estate facilitates the consolidation of property and its transfer from a less effective user/entrepreneur to a more effective one.

Agricultural land tax is primarily determined based on the quality of land parcels.

In accordance with amendments of March 1, 2004 made to the Tax Code, owners of agricultural land possessing up to 5 ha of a land parcel are exempt from land tax. This factor may seriously affect an increase in the number of land transactions, for the less effective landowner, who possesses a small land parcel, it no longer be effective to keep such a land parcel in ownership.

Property transfer tax – it may be confidently stated that against the property tax the property transfer/transaction tax exerts naturally more impact on the number of transactions. The property transfer tax rate constitutes 2 percent of the property value. The high rate of the existing property transfer tax interferes with the legalization of property transfer transactions. Because of the above, there is a great number of unregistered transactions or fictitious reductions of the transaction's value.

Notarization fee – notarization fees in Georgia are not high and thus cannot be considered as a factor impeding the registration of transactions. Although a low level of tax payment culture in society pushes the contracting parties to understate the actual value of the property.

2.4. Execution of Purchases through a Bank Credit with a Real Estate as Collateral

The bank system development level is one of the factors directly affecting the real-estate market development and the number of transactions on this market.

The inability of the banking system to provide the potential buyers of land with necessary bank credits under the property mortgage collateral presents a serious impediment for the growth of transactions on the market. The world practice of land purchase and sale operations implies a deal when the buyer pays the cost of land to the seller by means of a bank credit. Thereafter, the buyer would cover the credit within a 10 to 30-year period where the land parcel appears to be collateral.

The banking system in Georgia is more inclined to accept nonagricultural land parcels as collateral than agricultural lands when providing credits. It can be explained by low prices of agricultural land parcels.

In the course of real-estate transactions the attraction of bank credits was further complicated by peculiarities of the land privatization process as mentioned above. The average land parcel area transferred into private ownership makes 0.22 ha. Because of it, land resources are highly fragmented and cannot serve as the bank credit collateral because of low prices on them.

The undeveloped insurance system is another factor hampering the provision of credits on mortgage to farmer households. In particular, the non-insurance of households from contingencies/critical situations affects their solvency.

Also, one of the factors interfering with transactions is the high interest rate on credits on mortgage. The high interest rate on such credits in Georgia can be explained by the factors as follows:

1) *The gap of credit resources in the banking system (caused generally by the lack of trust on the part of the population in banks as the mechanism for saving their monetary assets*);

The deficit of credit resources preconditions a low supply of resources to the credit market, and upon such demand for credit resources the market will fix a high interest rate (based on the market law of supply and demand);

2) *The lack in Georgia of a system for indexing the interest charged to a bank-provided credit*

Such indexation systems operate in western countries insuring banks from the actual interest depreciation caused by inflation. In the countries where such systems are not operable banks are compelled to establish high interest rates and thus secure themselves from a possible inflationary depreciation of the interest on credits.

3) *The inexistence in Georgia of credit bureaus (autonomous bureaus which study and evaluate the customer solvency);*

As a result, bank credits are associated with a high risk. It leads to the necessity of indemnification of the credit-caused damage at the expense of the credits provided under a high interest rate.

4) *The existence of high interest rate on credits provided through foreign credit lines (to be also explained by a diminished reliability of the Georgian banking system);*

Since the attraction of credit resources to the country is complicated (the population distrusts the banking system); Georgian banks have to obtain necessary for their activity resources from abroad. The Georgian banking system will naturally increase the enough high interest rate on credits obtained from abroad in order to gain profit.

5) *The chronic political and economic instability in the country;*

The political and economic instability is directly associated with the level of trust in the Georgian banking system on the part of both the local clientele and foreign banking institutions. The damage caused to the population by bank pyramids (through the assistance of oligarchs being in collision with the corrupt politicians) in the previous years persists in the memory of the local customers and conditions their distrust. In the previous years, foreign

credit institutions that had allocated credit resources to some Georgian banks under the state guarantee have likewise suffered damage.

6) *The low liquidity of definite real property (e.g. agricultural land parcels);*

The circumstance that agricultural land parcels in Georgia are fragmented and their market value is low preconditions their low liquidity. As a result, in case the debtors fail to return the credit, a bank finds it difficult to cover the damage incurred through the sale of the pledged assets. In order to be insured against such risks, the bank will again apply to the establishment of high interest rates.

7) *The legal and administrative shortcomings complicating the disposal by banks of the pledged assets against the unpaid credits. (Vagueness is caused by: according to the Civil Code, the bank is declared owner of the assets, however the former holder will have the right to make use of the property lease; also, the administrative imperfection of the process of property seizure under a court ruling);*

These circumstances appear as an impediment in the course of compensation for the damage upon non-return of a bank credit and again as the additional factor urging the interest rate for increasing.

2.5. Insurance System Development Level

The undeveloped insurance system affects the real-estate market functioning. Unstable incomes of petty farmer households and the lack of insurance against critical situations lead to the consolidation of land into large households.

Similarly, the undeveloped insurance system impedes the obtaining of bank credits by farms, since the non-insurance of the farms against critical situations makes their solvency doubtful.

It is impossible to assess properly how the undeveloped insurance system would affect the number of market transactions. Presumably, in the first stage of privatization, when land is fragmented, the undeveloped insurance system will further an increase in the number of transactions because of the transfer of land from small to large landholders.

2.6. Migration of the Population

The population migratory processes both within and beyond the country in the past years had undoubtedly affected the number of transactions on the land market. Naturally, the migration and the emigration processes are the factor increasing the number of purchase and sale transactions on the market because the population involved in the processes either acquires (migration) or sells (emigration) own real property.

According to the 1992 population census, the population of Georgia is estimated to be 4.4 million. This is about 857,600 inhabitants less than in 1989 (the previous census period).

As regards the migratory processes, a significant change in the share of the urban and rural population should be mentioned. A share of the urban population fell from 55.4 percent in 1989 to 52.3 percent in 2002, while the rural population's share increased from 44.6 percent in 1989 to 47.7 percent recorded in 2002.

In the past years, the emigration trends in Georgia were insignificant and therefore will not be discussed in detail.

The aforesaid migratory processes, both within and beyond the country, have naturally exerted a significant impact during 1989-2000 (these are the years when the population census was carried out) on the number of real-estate transactions in Georgia.

3. LAND MARKET DEVELOPMENT ANALYSIS

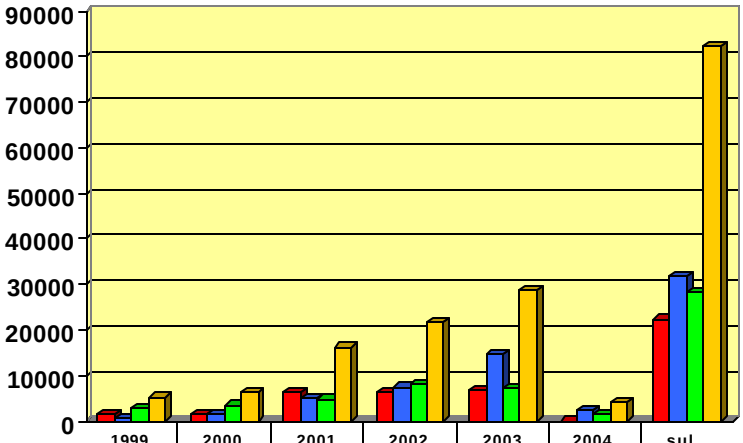
3.1. Land Market Transactions

The transition of land and land-related property from the state into private ownership, the legalization of private landowners' rights and obligations and the establishment of the land ownership right registration system contributed to the formation of a land/real-estate market in Georgia.

Since the establishment of land management administrations/agencies and registration offices/registries in Georgia and until April 2004, 92 437 transactions were recorded in the Public Register (for additional information refer to Annex 5.2).

As of April 2004, the number of transactions carried out and recorded in the Public Register (cases of purchase and sale, hypothecation, succession, donation, lease, servitude, usufruct and the right to build in total) exceed sixteen-fold the number of transactions handled in 1999. The growing trend is also characteristic of the period from 1999 to April 2004 (see Figure 1, Figure 2).

Figure 1: Number of Transactions
(Annual Indicator)

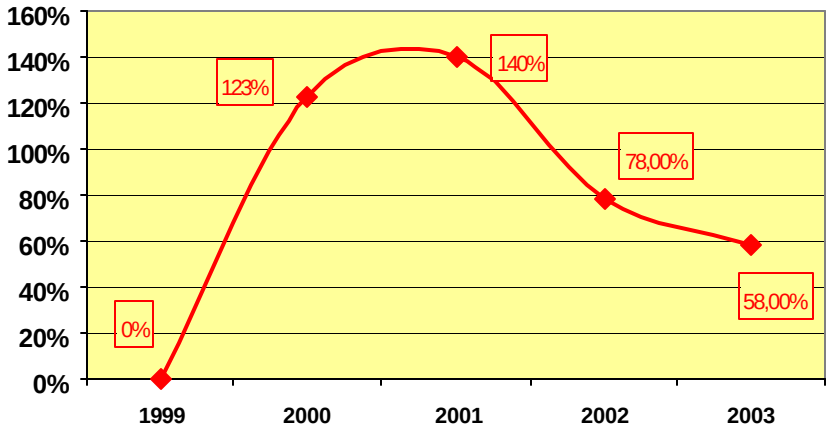


	1999	2000	2001	2002	2003	2004	sul
Tbilisi	1537	1393	6287	6362	6765	0	22344
arasasofl o miwa	699	1499	5156	7400	14796	2412	31962
sasofl o miwa	2977	3506	4775	8021	7280	1572	28131
sul	5213	6398	16218	21783	28841	3984	82437

1- Tbilisi; 2- Nonagricultural land; 3 - Agricultural land; 4 -Total

Note: Owing to certain reasons, in the first quarter of 2004, the obtaining of information from Tbilisi Land Management Administration was not possible, because of which the number of transactions implemented in Tbilisi is indicated in the present report by a zero.

Figure 2: Transactions' Growth Percentage against the Previous Year

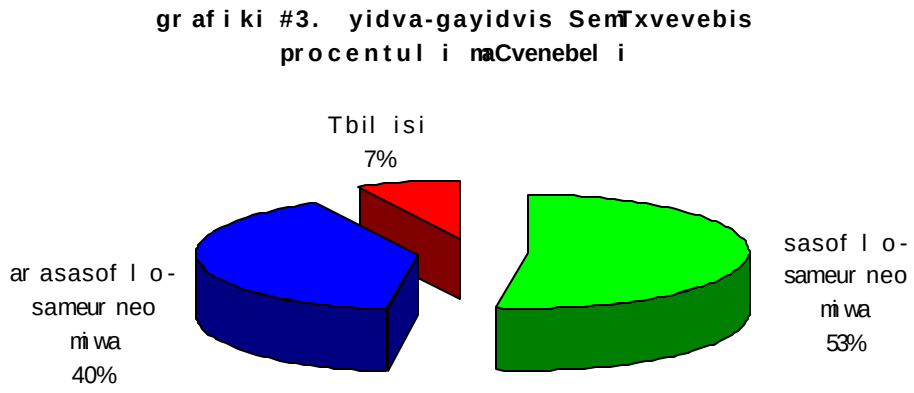


The only exceptions are the lease and servitude cases, the registration of which the population uses to avoid, and the like matters are normally settled by oral negotiations. The same is true with regard to the cases of sublease and lease of the privately owned land.

Taking into account the number of transactions, it may be concluded that the most popular forms of transactions in Georgia are purchase and sale, hypothecation, inheritance and lease.

Purchase and sale is the most popular form of transactions in Georgia. From 1999 (upon putting into operation of the Public Register) and until April 2004, 36 580 purchase-and-sale transactions were registered in Georgia (See Annex 5.3). Out of them 53 percent of purchase and sale cases (19 085 cases) were implemented with regard to agricultural lands and 47 percent (7% in Tbilisi and 40% in the rest of regions, 17 495 cases in total) with regard to nonagricultural land (See Figure 3).

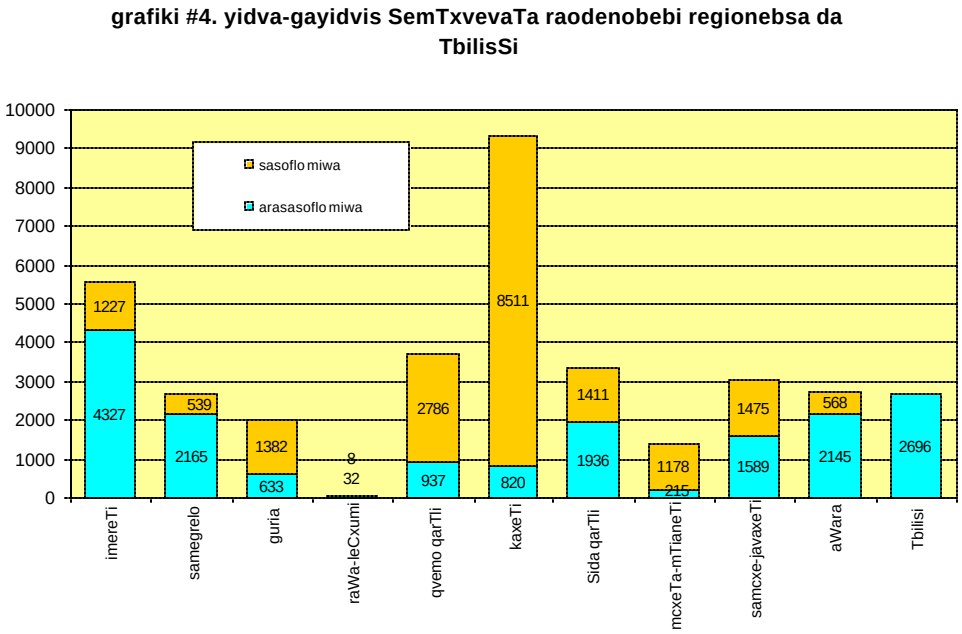
Figure 3: Percentage of Purchase and Sale Cases



1-Tbilisi; 2-Nonagricultural land, 40%; 3-Agricultural land, 53%

A tendency of interest in land is sharply different in regions (See Figure 4).

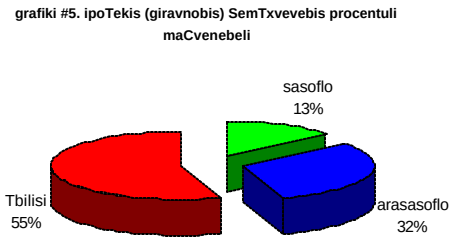
Figure 4: Numbers of Purchase and Sale Cases in Regions and Tbilisi



1-Agricultural land; 2-Nonagricultural land
Imereti, Samegerelo, Guria, Racha-Lechkhumi, Kvemo Kartli, Kakheti, Shida Kartli, Mtskheta-Mtianeti, Samtskhe-Javakhei, Achara, Tbilisi

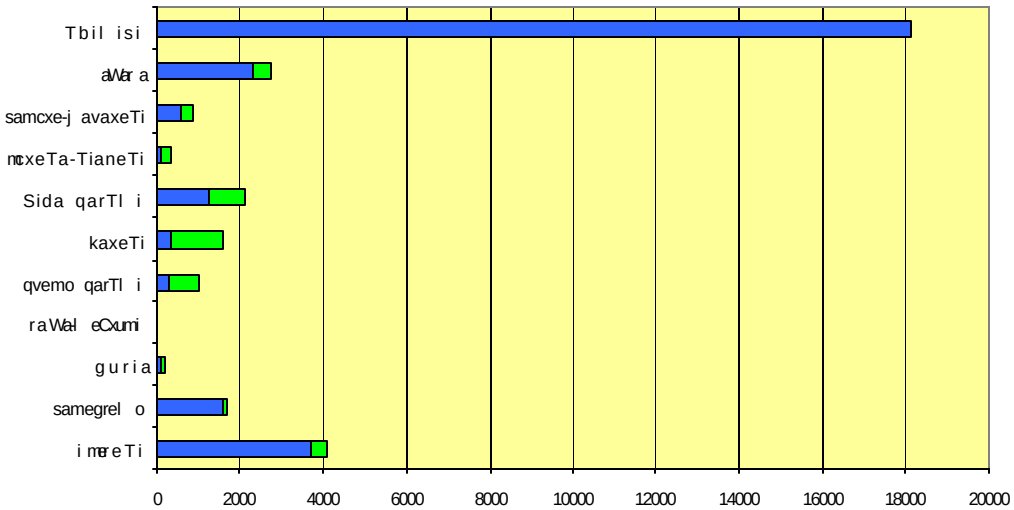
From 1999 to April 2004 33 050 hypothecation/mortgage registration cases were recorded in Georgia. 55 percent of the hypothecation/mortgage cases have been recorded in Tbilisi, whereas 32 percent of the remaining 45 percent – in the regions with regard to nonagricultural land. It is indicative of the preference given by the banking system of Georgia to nonagricultural land and the real estate attached thereto in providing loans and of its less interest in agricultural lands (See Figure 5 and Figure 6).

Figure 5: Percentage of Hypothecation/Mortgage Cases



1-Agricultural, 13%; 2-Tbilisi, 55%; 3-Nonagricultural, 32%

Figure 6: Numbers of Hypothecation/Mortgage in Regions and in Tbilisi



	imereTi	samegrelo	guria	raWal eCxumi	qvemo qarTli	kaxeTi	Sida qarTli	mcxeTa-TianeTi	samcxe-javaxeTi	aWara	Tbilisi
sasofl o	401	96	125	0	708	1252	843	305	290	441	0
arasasofl o	3711	1604	107	0	321	361	1307	88	607	2326	18157

1-Tbilisi; 2-Ajara; 3-Samtskhe-Javakheti; 4-Mtskheta-Tianeti; 4/1-Shida Kartli; 5-Kakheti; 6-Kvemo Kartli; 7-Racha-Lechkhumi; 8-Guria; 9-Samegrelo; 10-Imereti; 11-Agricultural; 12-Nonagricultural

Notwithstanding the above, interest in both the agricultural and nonagricultural lands and the provision of credits as collateral for them have an annual growth tendency. (See Annex 5.4)

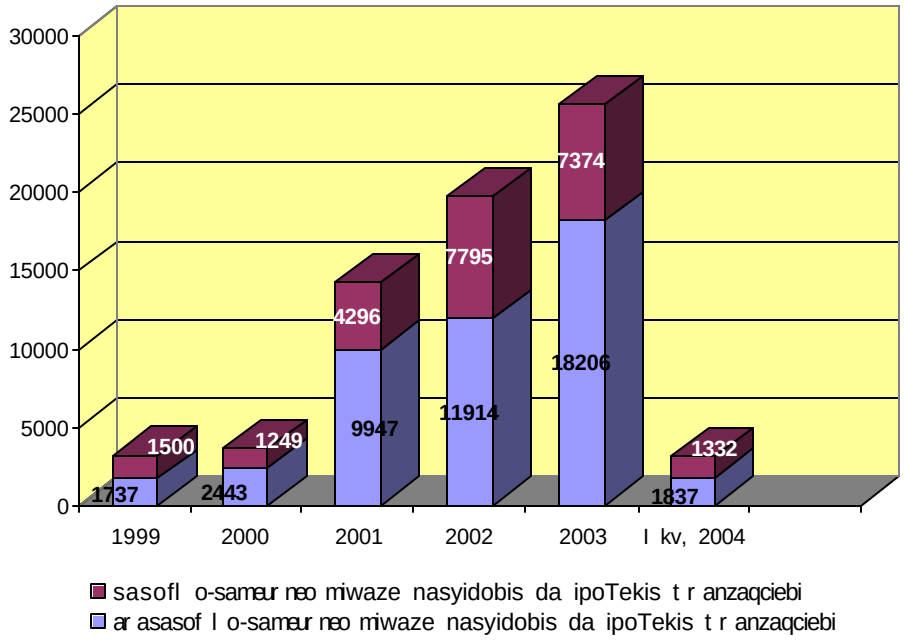
The number of purchase and sale and hypothecation cases each year uses to increase (See Table 1, Figure 7). The growth from 14 percent in 2000 to 286 percent in 2004 is ascribed to the putting in order of the land registration system. Such spasmodic growth may be explained by the circumstance that before 2000 the transactions' registration system was just not arranged and these drawbacks have been relatively eliminated in the following years.

In addition to other factors, the processes of land privatization, establishment of its registration and cadastre are naturally the key factor determining these tendencies.

Table 1: Number of purchase and sale and hypothecation cases

Number of Transactions	1999	2000	2001	2002	2003	2004, 1st quarter
Agricultural land	1500	1249	4296	7795	7374	1332
Nonagricultural land	1737	2443	9947	11914	18206	1837
TOTAL	**3237**	**3692**	**14243**	**19709**	**15580**	**3169**
% growth against previous year	Basic	14%	286%	39%	30%	-

Figure 7: Purchase and Sale and Hypothecation Transactions on Agricultural and Nonagricultural Lands



Purchase and sale and hypothecation transactions on agricultural land
Purchase and sale and hypothecation transactions on nonagricultural land

As compared to the purchase and sale and hypothecation cases, the donation and inheritance are less active types of transactions. The cases of their registration, like other transactions, are characterized with a tendency to grow (See Annex 5.5). These types of transaction imply the transfer of land/real estate from one holder into the ownership of another holder free of charge, for which reason it is less dependent on the land market.

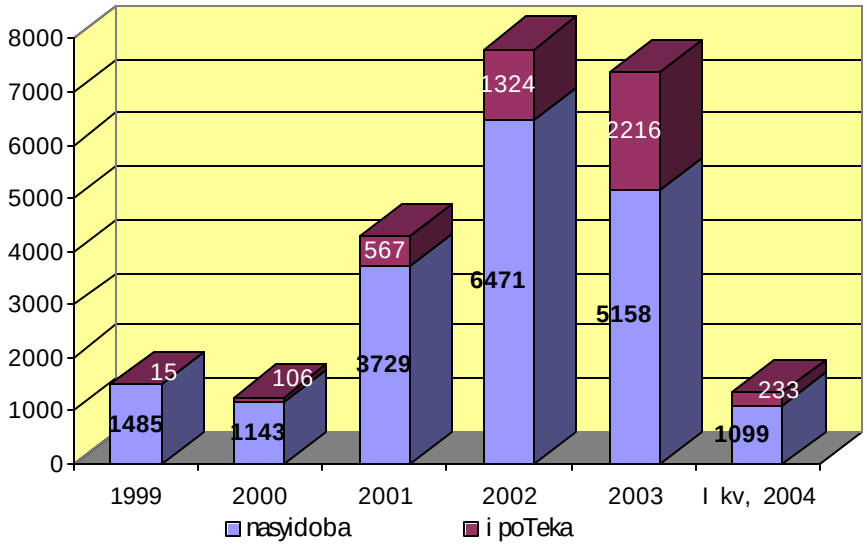
3.2. Agricultural Land Market Development Trends

The land market development level in Georgia differs according to districts and regions. Its dynamics is high in the regions with the developed tourism, as well as in the regions that are suitable for high-yield agricultural production. In general, the level of the agricultural land market is low, although a certain progress in observable in terms of the growth of the number of agricultural land transactions (See Table 2, Figure 8).

Table 2: Purchase and sale and hypothecation transactions on agricultural land

Type of Transaction	**1999**	**2000**	**2001**	**2002**	**2003**	**2004, 1st quarter**
Purchase and sale	1485	1143	3729	6471	5158	1099
Hypothecation	15	106	567	1324	2216	233
TOTAL	**1500**	**1249**	**4296**	**7795**	**7374**	**1332**
% growth against previous year	Basic	17%	244%	81%	5%	-

Figure 8: Purchase and sale and hypothecation transactions on agricultural land



Purchase and sale Hypothecation

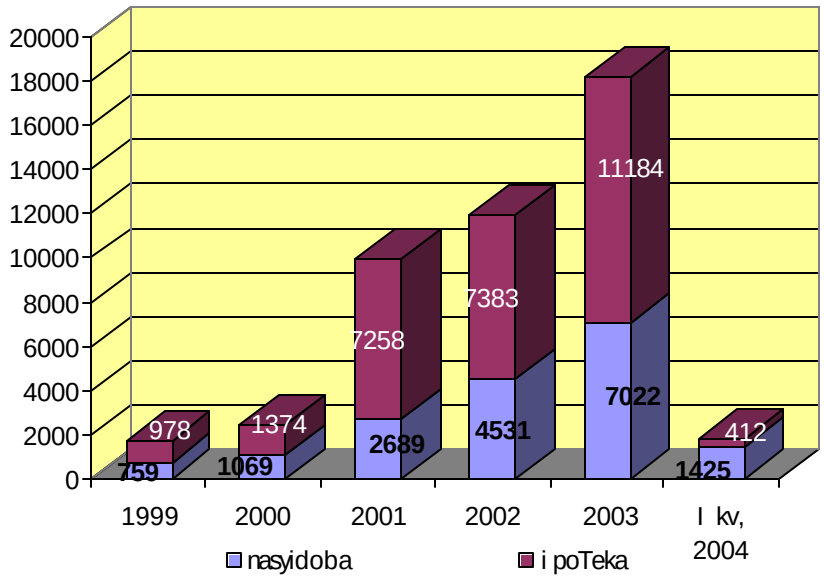
3.3. Agricultural Land Market Development Trends

Land market is more actively developed in the urban area. The most active the land market is in Tbilisi where the country's economic activity is concentrated. The transactions' growth trend on the nonagricultural land market is given in Table 3 and Figure 9.

Table 3: Purchase and sale and hypothecation transactions on nonagricultural land

Type of Transaction	**1999**	**2000**	**2001**	**2002**	**2003**	**2004, 1st quarter**
Purchase and sale	759	1069	2689	4531	7022	1425
Hypothecation	978	1374	7258	7383	11184	412
TOTAL	**1737**	**2443**	**9947**	**11914**	**18206**	**1837**
% growth against previous year	Basic	41%	307%	20%	53%	-

Figure 9: Purchase and sale and hypothecation transactions on nonagricultural land



■ Purchase and sale ■ Hypothecation

4. LAND MARKET DEVELOPMENT PROSPECTS

4.1. Reforms Necessary for Land Market Perfection/Development

State property privatization - privatization of agricultural land remaining in state ownership would be a step ahead in the land market development. State-owned agricultural land parcels totaling about 360.6 thousand ha shall be subject to privatization. The new privatization stage will naturally lead to the growth of transactions on the land market.

Land cadastre and registration system – for the purpose of raising information reliability and completeness it is necessary that a system of cadastre and registration be elaborated. The process of registration should become more rapid and effective. To this will undoubtedly contribute:

- Improvement of logistics of registration services (especially the wide introduction of a data storage and processing computer system);
- Further simplification of the red-tape/bureaucratic processes;
- Minimizing the number of documents necessary for registration.

Of special importance are the reliability, completeness, and correctness of the information available at the registration services. However before that, the issue of consolidating in the Public Register of the information concerning seizure of property should be settled. The information related to seizure of property fails to be timely provided to the Public Register either by courts or by enforcement or tax services. Owing to the above, potential real-estate purchasers are frequently faced with problems.
Especially significant is that the registration services be equipped with modern technologies to provide them with access to the registration data and to ensure transparency of the process of registration. For example, the wide employment of such communication means as the Internet.

Taxation system - an amendment of March 1, 2004 to the Tax Code abolishing the land tax with respect to the holders of agricultural land parcels with the area of up to 5 ha might become one of the factors impeding the growth of transactions on the land market. The tax on property is the factor, which directs real estate from the less effective producer/farmer to the more effective one. Owing to the above reason, even if caused by hard economic conditions, the complete abolishment of tax on small-size agricultural land parcels may be considered unreasonable.

For exact recording of the number of transactions and the value thereof, it would be expedient that the existing property transfer tax is reduced rather than completely abolished. The effective property tax at the rate of 2 percent of the value of property is rather high.

Banking system – strengthening of the Georgian banking sector together with the market institutions in the country, which is unavoidable, will undoubtedly contribute to the real-estate

market development and will enable to finance real-estate transactions by bank credits and increase the number of hypothecation transactions. Low market value of agricultural lands and their fragmentation (land average area being 0.22 ha) is the circumstance that hampers the obtaining of a bank credit accepting land as collateral. This problem shall be naturally handled together with the consolidation of land parcels and the market value raising.

Also, for a full-value activation of the system of bank credits it is important to update existing legislation, particularly the part of the Civil Code concerning the hypothecation of real property.

Also, for further development of the banking system of much importance is the establishment of private credit bureaus in Georgia, which will also essentially promote and encourage hypothecation transactions and the land market in general.

Insurance system – it is hard to clear out how and in what direction the insurance system affects the number of real-estate transactions, although it may be confidently stated that the proper operation of the system is essential for the rational land management policy and predictable land market functioning. The proper operation of the insurance system will prevent the crises caused by contingencies and make consequently the real-estate market more sustainable and predictable.

Population migration/emigration processes – the population migration/emigration processes affect the market and the number of transactions implemented thereon. Exact prediction of the population migration/emigration processes within the next years is difficult, however it may be confidently stated that these processes will go on. In the transition and unstable countries such processes always proceed actively, and it may be presumed that with the stabilization of a country's political and economic situation, the emigration processes will be enhanced. Otherwise the outflow of migrant will continue.

4.2. Prediction of Hypothetical Growth of Transactions on Land Market

Prediction of the growth in the number of transaction on the land market of Georgia in the near future shall be based on the available land market trends and with account of the expected changes in the factors that influence the market functioning.

The previous growth of transactions on the real-estate market is not subject to any regularity. The only thing that can be confidently stated is that beginning from 1999 to 2003 inclusive the number of transactions was definitely growing
Supposedly, the above-analyzed factors will effect the real-estate market development and the number of transactions in the direction as follows:

- The land privatization process is expected to continue, positively affecting the market.
- The cadastre and registration system will be improved and simplified, positively affecting the market.
- The recent amendment to the Tax Code (abolishment of property tax on small-size land parcels) will adversely affect the number of transactions. The high property tax rate

will again operate in the direction of the growth of transactions – therefore, it is expected that the taxation system will affect the market and the number of transactions thereon in the old (previously available) direction.

- The banking system will naturally be strengthened together with the development the market institutions, positively effecting the market; supposedly, the number of credits on mortgage will especially grow in the future. This can be predicted following the example of other countries.
- The insurance system will develop together with the market institutions, positively affecting the market.
- The population migration/emigration processes will continue and their intensification in any direction will increase the number of transactions on the market.
- Agricultural development should also be mentioned; together with the growth of production exports and putting into operation of processing industries the consolidation of lands will be taking place, which shall significantly increase the number of transactions.

At the same time it should be noted that together with the completion of economic reforms and the strengthening of market institutions, this criterion might be reconsidered. Evidence of it is the fact that generally the real-estate market of the countries under transition is distinguished with more activity against the countries with developed economy. According to statistics (see Table 4), the number of land parcel transactions in west-European countries lags behind the same figures in the countries of Eastern Europe.

Table 4: Number of transactions on land parcels in west- and east-European countries

Western Europe		
	Number of Parcels	***Number of Transactions***
Germany	***50,2 million***	***1,5 million***
Netherlands	***7,5 million***	***450 thousand***
Eastern Europe		
	Number of Parcels	***Number of Transactions***
Hungary	***9,2 million***	***2,4 million***
Poland	***25 million***	***1,4 million***

Source: A.Osseko, K.Sonnenberg. Functioning of land markets in the Central and Western Europe"

A shift of the above-listed factors towards the said direction will undoubtedly facilitate the land market development and the preservation of the growth rate of the number of transactions. Yet no sporadic growth is expected. In the next years, the predictable trend for growth of transactions on the land market will be within 20 to 25 percent.

5. STATISTICAL DATA (ANNEXES)

ANNEX 5.1. AGRICULTURAL LAND BALANCE

Table 5.1.1. Agricultural land balance by proprietary rights and types

(thousand hectares)

				state property			
	total	**private property**		**leased**		**non-leased**	
	area	area	%	area	%	area	%
arable lands	798.7	436.3	54.6%	222.7	27.9%	139.7	17.5%
perennial plants	264.9	181.4	68.5%	30.3	11.4%	53.2	20.1%
hay-lands	143.2	41.9	29.3%	46.1	32.2%	55.2	38.5%
pastures	1796.9	83.6	4.7%	606	33.7%	1107.3	61.6%
dwelling houses and yards	19.8	19.8	100%	0	-	0	-
agricultural land plots, total	3023.5	76.3	25.2%	905.1	30%	1355.4	44.8%

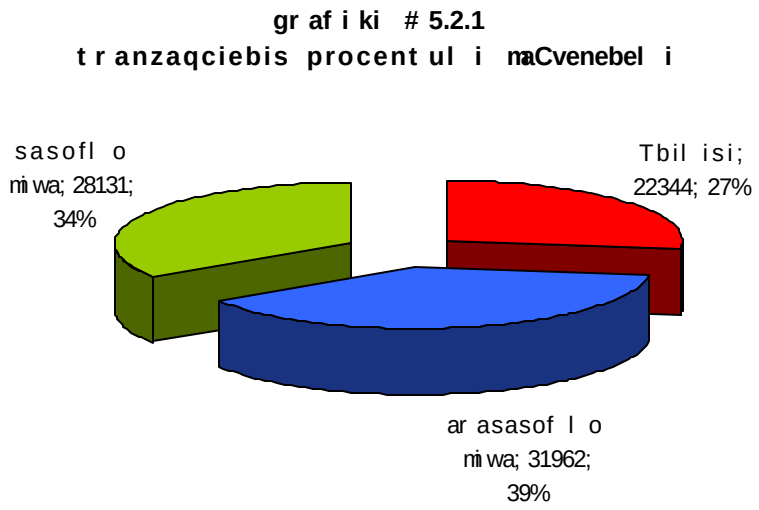
Table 5.1.2. Balance of agricultural lands by ownership and regions

(thousand hectares)

#	Regions	total	Including					
			private property		state property			
					leasehold		leasehold	
		area	area	%	area	%	area	%
1	Imereti	216.2	109.6	50.7%	17.5	8.1%	89.1	41.2%
2	Samegrelo-Zemo Svaneti	282.7	106.8	37.8%	44.8	15.8 %	131.1	46.4%
3	Guria	73.1	42.4	58%	11.6	15.9 %	19.1	26.1%
4	Racha-Lechkhumi and Kvemo Svaneti	154.1	35.3	22.9%	0.1	0.1%	118.7	77%
5	Shida Kartli	226.6	80.6	35.6%	41.9	18.5 %	104.1	45.9%
6	Mtskheta-Tianeti	291.1	54.8	18.8%	32.1	11%	204.2	70.2%
7	Kakheti	629.9	154.1	24.5%	324.5	51.5 %	151.3	24%
8	Kvemo Kartli	400.7	67.7	16.9%	201.7	50.3 %	131.3	32.8%
9	Samtskhe-Javakheti	400.2	70.4	17.6%	190.5	47.6 %	139.3	34.8%
10	Achara	73.7	22	29.9%	40.4	54.8 %	11.3	15.3%
11	Apkhazeti	217.3	18.4	8.5%	0	-	198.9	91.5%
12	Samachablo	57.9	0.9	1.6%	0	-	57	98.4%
	Total	**3023.5**	**763**	**25.2%**	**905.1**	**30%**	**1355.4**	**44.8%**

ANNEX 5.2. NUMBER OF TRANSACTIONS CARRIED OUT ON LAND MARKET (AS OF APRIL 2004)

Figure 5.2.1 Transaction percentage indices



1. Agricultural land 2. Tbilisi 3. non-agricultural land

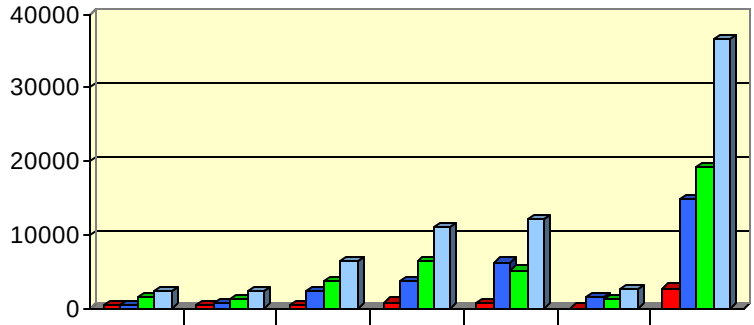
Table 5.2.1. Number of transactions (as of April 2004)

transaction type	transaction number	area (thousand hectares)
purchase and sale	36 580	7667.45
mortgage	33 050	4095.17
gift	2 461	300.43
inheritance	8 548	1109.92
lease[67]	1 441	556.23
renting	1	0.14
construction	238	473.014
usufruct	118	781.94
servitude	0	0
Total	**82 437**	

[67] Leasehold and land area amo unts encompass only state-owned leased non-agricultural lands

ANNEX 5.3. LAND/REAL ESTATE PURCHASE AND SALE CASES

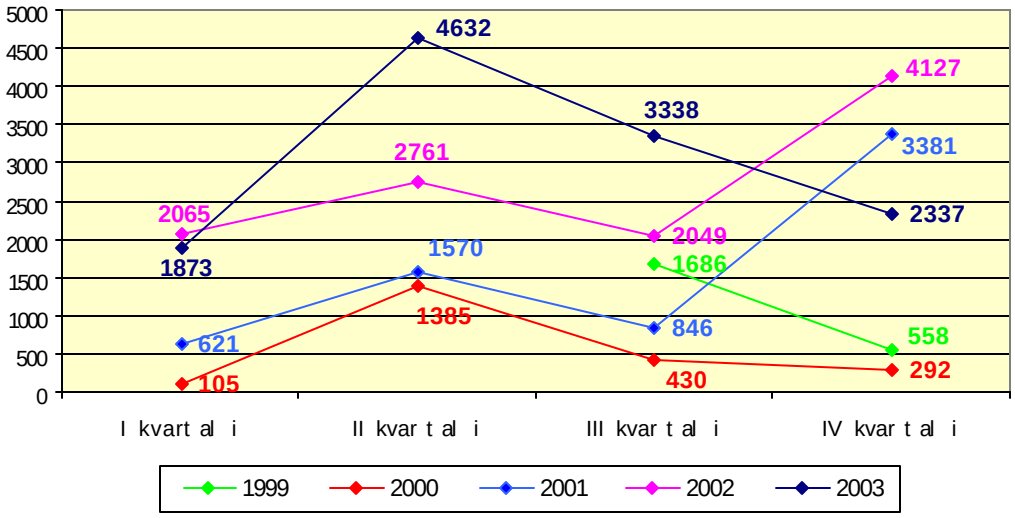
Figure 5.3.1. Annual purchase and sale indices



	1999	2000	2001	2002	2003	2004	sul
Tbilisi	413	416	337	773	757	0	2696
arasasofloministrwa	346	653	2352	3758	6265	1425	14799
sasofloministrwa	1485	1143	3729	6471	5158	1099	19085
sul	2244	2212	6418	11002	12180	2524	36580

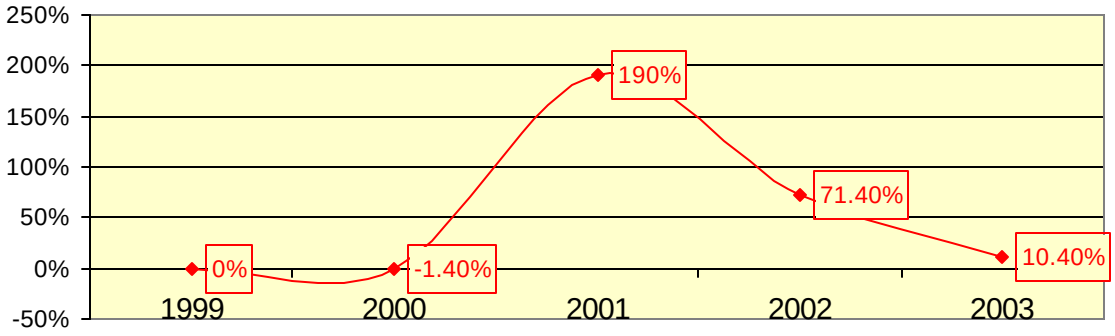
1. Tbilisi 2. Non-agricultural land 3. Agricultural land 4. Total

Figure 5.3.2. Purchase and sale case activity by quarters



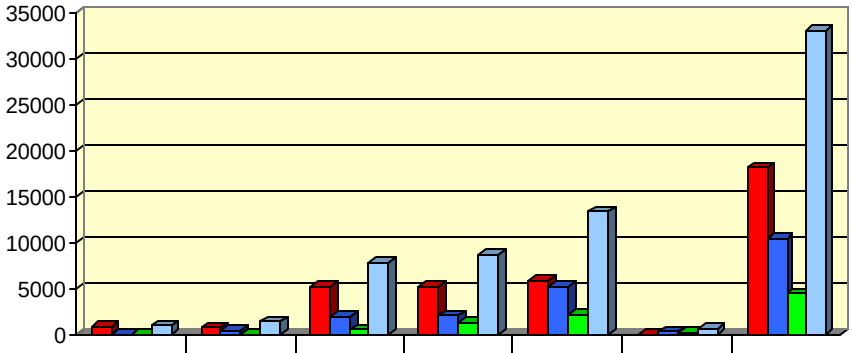
I quarter II quarter III quarter IV quarter

Figure 5.3.3. Percentage increase of purchase and sale against the previous year



ANNEX 5.4. CASES OF LAND/REAL ESTATE HYPOTHEC (MORTGAGE)

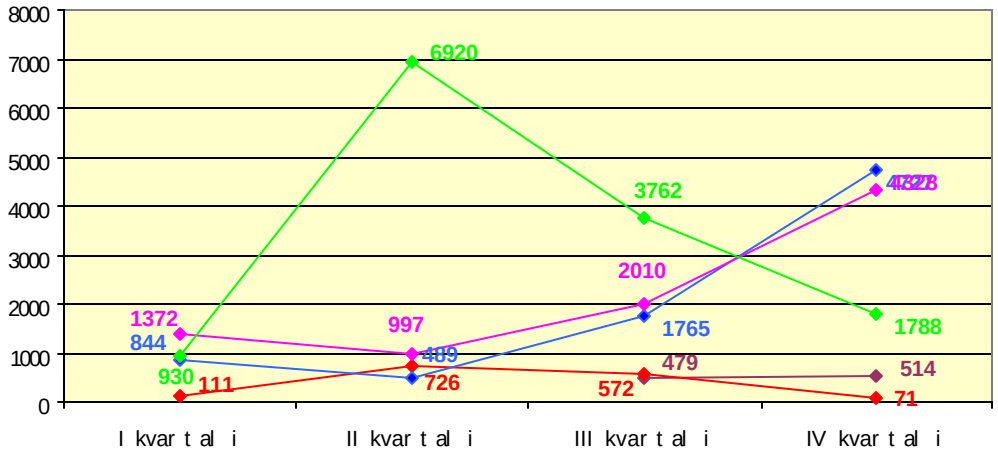
Figure 5.4.1. Annual hypothec indicators



	1999	2000	2001	2002	2003	2004	sul
Tbilisi	904	841	5238	5271	5903	0	18157
arasasoflo miwa	74	533	2020	2112	5281	412	10432
sasoflo miwa	15	106	567	1324	2216	233	4461
sul	993	1480	7825	8707	13400	645	33050

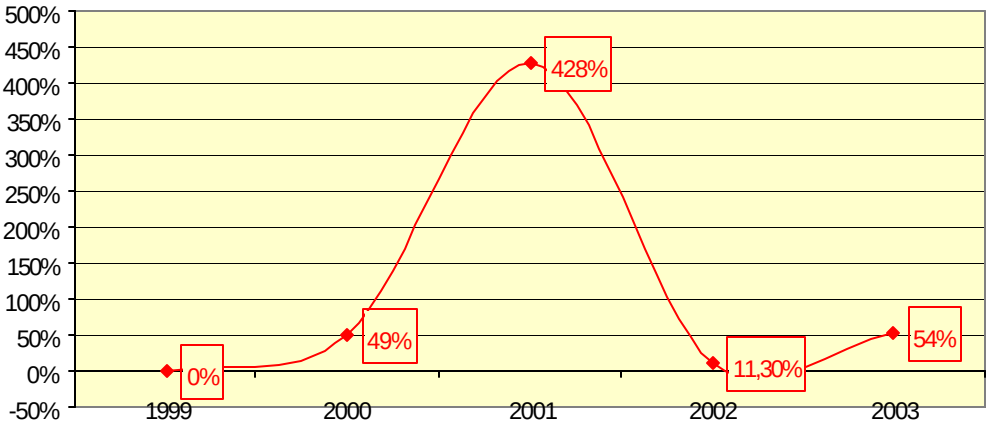
1. Tbilisi 2. non-agricultural land 3. agricultural land 4. total

Figure 5.4.2. Hypothec case activity by quarter



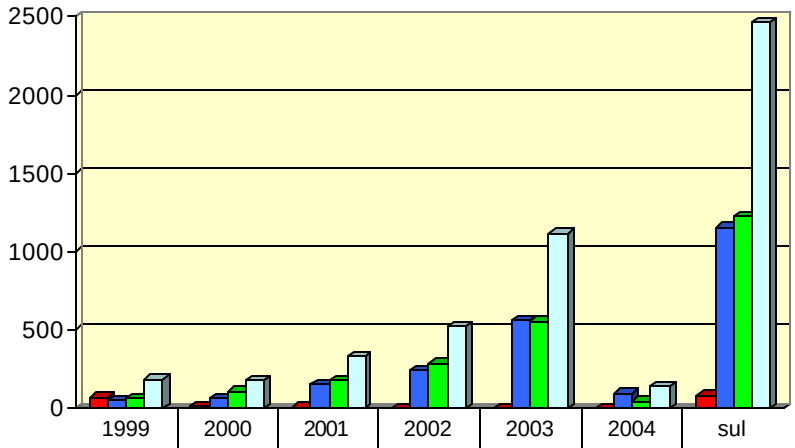
I quarter II quarter III quarter IV quarter

Figure 5.4.3. Hypothec (mortgage) case percentage increase against the previous year



ANNEX 5.5. LAND/REAL ESTATE GIFT AND INHERITANCE CASES

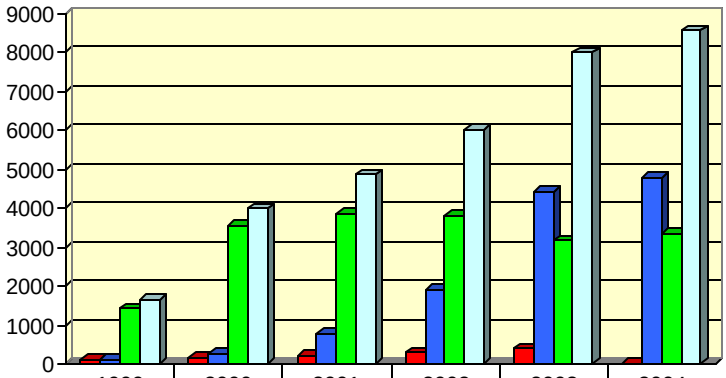
Figure 5.5.1. Number of land gift cases (annual indicator)



	1999	2000	2001	2002	2003	2004	sul
Tbilisi	68	7	6	0	0	0	81
arasasoflo miwa	51	59	152	238	560	92	1152
sasoflo miwa	63	107	175	285	555	43	1228
sul	182	173	333	523	1115	135	2461

1. Tbilisi 2. non-agricultural land 3. agricultural land 4. total

Figure 5.5.2. Land inheritance cases (growth amount)

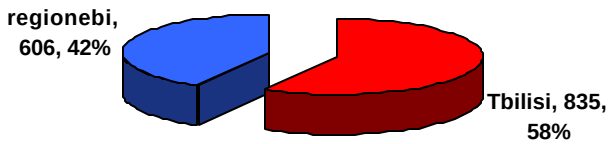


	1999	2000	2001	2002	2003	2004
Tbilisi	110	164	220	302	407	0
arasasoflo miwa	118	269	777	1900	4421	4784
sasoflo miwa	1414	3564	3868	3809	3160	3357
sul	1642	3997	4865	6011	7988	8548

1. Tbilisi 2. non-agricultural land 3. agricultural land 4. total

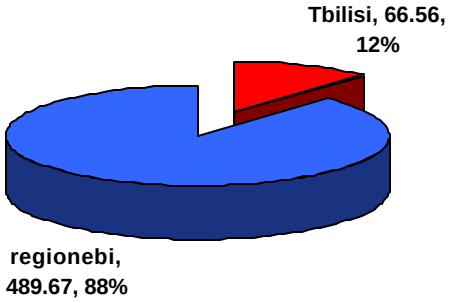
ANNEX 5.6. NON-AGRICULTURAL LAND LEASE

Figure 5.6.1. Number of lessees in regions and Tbilisi



1. Regions 2. Tbilisi

Figure 5.6.2. Leased non-agricultural land plots
(in thousand hectares)

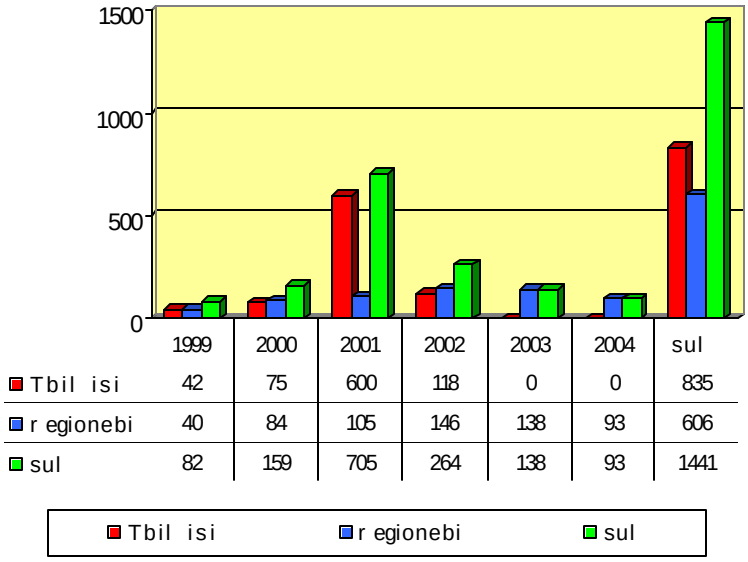


1. Tbilisi 2. Regions

Table 5.6.3. Leased non-agricultural land areas and number of lessees in regions and Tbilisi

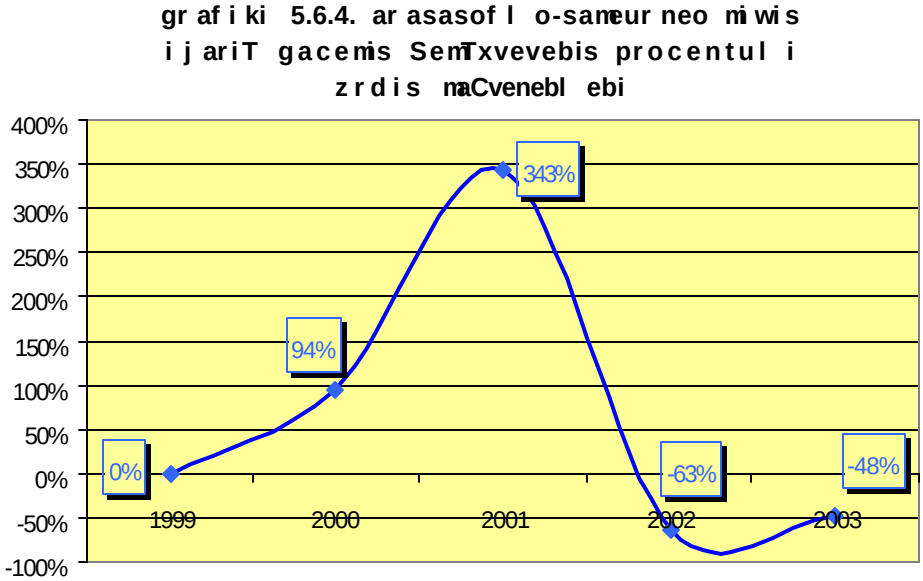
	Regions	number of lessees	area (thousand hectares)
1	Imereti	207	236.82
2	Samegrelo-Zemo Svaneti	117	101.16
3	Guria	14	6.84
4	Racha-Lechkhumi	8	0.07
5	Kvemo Kartli	141	116.12
6	Kakheti	11	11.55
7	Shida Kartli	7	2.13
8	Mtskheta-Tianeti	2	0.84
9	Samtskhe-Javakheti	12	5.66
10	Achara	27	8.48
11	Tbilisi	835	66.56
	Total	1441	465.83

Figure 5.6.4. Number of cases of non-agricultural land lease
(annual indicator)



1. Tbilisi 2. regions 3. total

Figure 5.6.5. Indices of percentage increase of cases of non-agricultural land lease



ANNEX 5.7. NUMBER OF PURCHASE AND SALE IN GEORGIA, BY YEARS (AS OF APRIL 2004)

#	Regions	cases of land (real estate) purchase and sale, total	cases of non-agricultural land purchase and sale, total	including						cases of agricultural land purchase and sale, total	including					
				1999	2000	2001	2002	2003	2004 I quarter		1999	2000	2001	2002	2003	2004 I quarter
1	Town Tbilisi	**2696**	2696	413	416	337	773	757	0	0	0	0	0	0	0	0
2	Imereti	**5554**	4327	44	106	630	1437	1540	570	1227	57	64	343	245	417	101
3	Samegerelo-Zemo Svaneti	**2704**	2165	83	182	588	540	622	150	539	41	106	100	126	133	33
4	Guria	**2015**	633	5	14	120	218	276	0	1382	84	42	80	239	937	0
5	Racha-Lechkhumi and Kvemo Svaneti	**40**	32	0	0	0	32	0	0	8	1	0	0	7	0	0
6	Kvemo Kartli	**3723**	937	28	55	158	184	369	143	2786	70	329	317	549	843	678
7	Kakheti	**9331**	820	1	45	93	373	221	87	8511	214	345	2137	3441	2358	16
8	Shida Kartli	**3347**	1936	5	41	241	595	666	388	1411	419	-161	217	373	331	232
9	Mtskheta-Mtianeti	**1393**	215	1	13	95	22	84	0	1178	424	294	359	-267	368	0
10	Samtskhe-Javakhei	**3064**	1589	179	190	362	353	418	87	1475	148	94	133	225	836	39
11	Acharian AR	**2713**	2145	0	7	65	4	2069	0	568	27	30	43	1533	-1065	0
	Total	**36580**	**17495**	**759**	**1069**	**2689**	**4531**	**7022**	**1425**	**19085**	**1485**	**1143**	**3729**	**6471**	**5158**	**1099**

ANNEX 5.8. NUMBER OF MORTGAGES IN GEORGIA, BY YEARS (AS OF APRIL 2004)

#	Regions	cases of land (real estate) mortgage, total	cases of non-agricultural land mortgage, total	including						cases of agricultural land mortgage, total	including					
				1999	2000	2001	2002	2003	2004 I quarter		1999	2000	2001	2002	2003	2004 I quarter
1	Town Tbilisi	18157	18157	904	841	5238	5271	5903	0	0	0	0	0	0	0	0
2	Imereti	4112	3711	42	362	686	869	1478	274	401	0	5	30	22	327	17
3	Samegerelo-Zemo Svaneti	1700	1604	9	45	211	463	775	101	96	0	3	5	39	44	5
4	Guria	232	107	2	5	17	26	57	0	125	0	3	8	40	74	0
5	Racha-Lechkhumi and Kvemo Svaneti	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Kvemo Kartli	1029	321	6	23	55	72	137	28	708	1	0	76	134	313	184
7	Kakheti	1613	361	0	19	128	293	202	-281	1252	0	25	125	636	751	-285
8	Shida Kartli	2150	1307	5	32	163	427	451	229	843	0	29	79	248	193	294
9	Mtskheta-Mtianeti	393	88	3	5	6	46	28	0	305	0	7	48	138	112	0
10	Samtskhe-Javakhei	897	607	7	30	257	88	164	61	290	14	33	178	36	11	18
11	Acharian AR	2767	2326	0	12	497	-172	1989	0	441	0	1	18	31	391	0
	Total	**33050**	**28589**	**978**	**1374**	**7258**	**7383**	**11184**	**412**	**4461**	**15**	**106**	**567**	**1324**	**2216**	**233**

ANNEX 5.9. CASES OF LAND (REAL ESTATE) INHERITANCE IN GEORGIA, BY YEARS (AS OF APRIL 2004)

#	Regions	cases of land (real estate) inheritance, total	cases of non-agricultural land inheritance, total	including						cases of agricultural land inheritance, total	including					
				1999	2000	2001	2002	2003	2004 I quarter		1999	2000	2001	2002	2003	2004 I quarter
1	Town Tbilisi	18157	18157	904	841	5238	5271	5903	0	0	0	0	0	0	0	0
2	Imereti	4112	3711	42	362	686	869	1478	274	401	0	5	30	22	327	17
3	Samegerelo-Zemo Svaneti	1700	1604	9	45	211	463	775	101	96	0	3	5	39	44	5
4	Guria	232	107	2	5	17	26	57	0	125	0	3	8	40	74	0
5	Racha-Lechkhumi and Kvemo Svaneti	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Kvemo Kartli	1029	321	6	23	55	72	137	28	708	1	0	76	134	313	184
7	Kakheti	1613	361	0	19	128	293	202	-281	1252	0	25	125	636	751	-285
8	Shida Kartli	2150	1307	5	32	163	427	451	229	843	0	29	79	248	193	294
9	Mtskheta-Mtianeti	393	88	3	5	6	46	28	0	305	0	7	48	138	112	0
10	Samtskhe-Javakhei	897	607	7	30	257	88	164	61	290	14	33	178	36	11	18
11	Acharian AR	2767	2326	0	12	497	-172	1989	0	441	0	1	18	31	391	0
	Total	**33050**	**28589**	**978**	**1374**	**7258**	**7383**	**11184**	**412**	**4461**	**15**	**106**	**567**	**1324**	**2216**	**233**

ANNEX 5.10. CASES OF LAND (REAL ESTATE) GIFT IN GEORGIA, BY YEARS (AS OF APRIL 2004)

#	Regions	cases of land (real estate) gift, total	cases of non-agricultural land gift, total	including						cases of agricultural land gift, total	including					
				1999	2000	2001	2002	2003	2004 I quarter		1999	2000	2001	2002	2003	2004 I quarter
1	Town Tbilisi	18157	18157	904	841	5238	5271	5903	0	0	0	0	0	0	0	0
2	Imereti	4112	3711	42	362	686	869	1478	274	401	0	5	30	22	327	17
3	Samegerelo-Zemo Svaneti	1700	1604	9	45	211	463	775	101	96	0	3	5	39	44	5
4	Guria	232	107	2	5	17	26	57	0	125	0	3	8	40	74	0
5	Racha-Lechkhumi and Kvemo Svaneti	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Kvemo Kartli	1029	321	6	23	55	72	137	28	708	1	0	76	134	313	184
7	Kakheti	1613	361	0	19	128	293	202	-281	1252	0	25	125	636	751	-285
8	Shida Kartli	2150	1307	5	32	163	427	451	229	843	0	29	79	248	193	294
9	Mtskheta-Mtianeti	393	88	3	5	6	46	28	0	305	0	7	48	138	112	0
10	Samtskhe-Javakhei	897	607	7	30	257	88	164	61	290	14	33	178	36	11	18
11	Acharian AR	2767	2326	0	12	497	-172	1989	0	441	0	1	18	31	391	0
	Total	**33050**	**28589**	**978**	**1374**	**7258**	**7383**	**11184**	**412**	**4461**	**15**	**106**	**567**	**1324**	**2216**	**233**

LAND MARKET DEVELOPMENT PROJECT

TRANSLATIONS OF VARIOUS

LAWS AND LEGAL ACTS

Law on Administration and Disposition of State-owned Non-agricultural Land

CHAPTER I
General Provisions

Article 1. Definitions of Terms Used in the Law:

The terms used in the law have the following meaning:

a) **Non-agricultural Land Parcel –** land parcels which are not used for agricultural purposes;
b) **Zones of Perspective Development and Reconstruction –** Territories selected on the basis of the general plan of perspective development of city and other settled areas approved in compliance with rules[68];
c) **Urban Construction Documentation** – Rayonal planning schemes and projects approved by administrative regulations with the purpose of territorial and functional organization, general plans of cities and other settlements, programs for development of urban construction;
d) **Normative Price for Land** – price of a land parcel of particular quality and location;
e) **Territorial Zoning** – delimitation of a city or rayon territory by zone taking into consideration infrastructural, locational, environmental and other parameters (criteria);
f) **Level of Prestige** – synthetic quality indicating the valuation of a territory with regard to other territories.

Article 2. Scope of Regulation of the Law

This law regulates the administration and disposition of state-owned, non-agricultural land (hereafter "state land") and defines the competence of state agencies which represent the state in issues relating to land use and land disposition of state land.

Article 3. Rule on Decision-Making on Issues Relating to State Land Transfer for Use or Ownership

1. Decisions on the transfer of state land in use or in ownership are made by corresponding bodies of local government.
2. A state-owned land parcel within a zone of perspective development and reconstruction of the cities and other settlements shall be transferred into use or ownership on the basis of general plans (which are approved according to existing rules of cities and other settled areas), developmental projects and other city construction documentation.

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[68] Translator note - the Georgian word for “rule” or “rules” is used in the text of the law to refer to both administrative regulations of city, rayon and local governmental bodies and to various provisions of the law, the Civil Code and other legislative statutes.

3. Local offices of the State Department for Land Management of Georgia, in agreement with local agencies of architecture, organize the publication of information about state land to be transferred in ownership or use, accept and register applications, inform applicants on receipt in written form within two weeks after the receipt of an application.
   Upon the publication of the informational announcements, local offices of the State Department for Land Management provide the opportunity and create the necessary conditions for all interested physical and legal persons to examine ahead of time land parcels.
4. A state land parcel shall be transferred in ownership or use via auction or tender.
5. The criteria for the determination of the winner in the tender for the transfer of state land in use or ownership are the full satisfaction of conditions of tender and the proposal of the most advantageous conditions to the state;
6. The criteria for determination of the winner in an auction for the transfer of state land in use or ownership are the full satisfaction of conditions of the auction among which an offer of the highest price is the most important.
7. Public legal persons financed through the state budget are transferred state land for use based on individual valuation without auction/tender.
8. Applicants shall be informed in writing about the decision within 10 days.
9. Disputable issues are decided by a court of law.
10. Based on a decision made by local governmental bodies, local offices of the State Department for Land Management register and issue land use or ownership certificates in compliance with the rule provided by the "Law on Land Registration".

CHAPTER II
Lease of State Land

Article 4. Rule on the Lease of State Land

A decision on the lease of the state land located within the administrative-territorial boundaries of cities and rayons is made according to the rule provided by Article 3 of this law.

Article 5. Agreement on the Lease of State Land and the Rule on its Preparation and Registration

1. A lessee is conferred land use rights based upon an agreement.
2. A lease agreement is concluded according to the form endorsed by the State Department for Land Management.
   A lease agreement defines the area of state land, composition and value of leased property, lease term, lease rate for the use of land and property, payment procedures, duties/ rights and responsibilities of the parties, conditions on use and maintenance of leased objects, and conditions for returning leased property after the expiration of the lease term.

3. Prior to the entering into and after the termination of lease relations, the parties shall jointly describe the quantity and condition of the leased land and property and document their findings in a Protocol of Description of Property.
4. The state represented by a local agency of the State Department for Land Management acts as a land parcel lessor in the lease agreement to be concluded on the basis of a decision of a local governmental body.
5. A city or rayon office of the State Department for Land Management conducts the registration of a land lease agreement and registers it at the Public Register. A lease agreement is valid as of its registration date, unless otherwise stipulated in the agreement.
6. The lease term is determined by the agreement of the lessor and the lessee in accordance with the requirements of this law and should not exceed 99 years. The lease term should be fixed in the lease agreement.
7. A Protocol of Description of Property and sketch of a leased land parcel prepared by the State Department for Land Management are integral parts of a lease agreement.

Article 6. Rent Amount for State Land and Rule of Payment

1. A lessee for the benefit of a lessor pays rent for the use of state land and property.
2. The rent amount includes rent for leased land and its associated property. The rent amount of the leased property is listed in a separate line of the lease agreement.
3. The rent amount should be defined by a lease agreement.
4. The rent amount for land can be changed upon the agreement of the parties. Either of the parties has the right to request a change of the rent amount in the cases of changes in the tax for land use, depreciation norms, state-regulated prices and tariffs and in other cases provided by Georgian legislation. If after the conclusion of a land lease agreement, there arise circumstances which obstruct the execution of the lease conditions, an interested party has the right to request that changes be made to the agreement.
5. The payment of rent does not exempt a lessee from taxes for land use established by the Tax Code of Georgia and from any other taxes envisaged by Georgian legislation.
6. A lessee is responsible for the costs of the evaluation of leased property, the drafting a land parcel sketch and the registration of a lease agreement.

Article 7. The Transfer of Leased Property in Sub-lease

1. Upon the consent of the lessor, a lessee has a right to fully alienate a lease right to a third party
2. A lessee has the right to sub-lease leased land and leased property with the consent of the lessor, unless otherwise stipulated in the land lease agreement and in Georgian legislation; meanwhile the responsibilities of the lessee to the lessor from the lease agreement remain unchanged. A lessee has the right to lease buildings and structures in his ownership that are located on a leased land parcel.

Article 8. Renewal, Amendment, Cessation and Cancellation of a Land Lease Agreement

1. Upon the expiration of a land lease agreement term, the parties have the right to extend the term of the lease agreement. Upon the agreement of the parties, the conditions of the lease

agreement may be changed during the renewal of the agreement. Either of the parties can request changes to the agreement conditions in cases provided by legislation or the agreement.

2. If after the expiration of the agreement term, neither of the parties files an application on the cessation or amendment of the agreement, then rules provided in Article 589 of the Civil Code are used.
3. The parties can agree to terminate the lease agreement before the expiration of the lease term. One party can request the termination of the lease agreement before the expiration of the lease term only in compliance with legislation or if this is envisioned in the agreement.
4. Lessor has a right to request the cancellation of the agreement before the expiration of the lease term if a lessee:

a) does not use the leased property appropriately and violates the conditions of the agreement;
b) does not pay the rental payment established in the lease agreement within three months from the payment deadline.

5. The lessee has a right to request the cancellation of the agreement before the expiration of the lease term if:

a) a lessor does not comply with the conditions provided in the agreement;
b) a leased land parcel and lease property become unusable due to circumstances beyond the lessee's responsibility.

6. Renewal, amendment, cessation and cancellation of a land lease agreement are conducted according to rules established in the Civil Code.

Article 9. Privileges and Limitations on the Lease of State Land

1. The lease of state land located on territories with beneficial minerals and protected areas, on the land allocated for the use of beneficial minerals, within the boundaries of location of rare and unique archeological, cultural and historical monuments, within the boundaries of the perspective development of motor roads, within the zones of resorts and their environmental zones, is conducted only upon the agreement of the Ministry of Environment and Natural Resource Protection, the Ministry of Culture, the State Department of Geology, the State Department of Tourism and Resorts and the Archeological Research Center at the Georgian Academy of Science.
2. The lease of land parcels (or a part thereof), where state-owned facilities (buildings and constructions) are located shall be agreed to with the Ministry of State Property Management and corresponding agencies.
3. The owner or the lessee of buildings located on a leased land parcel has a priority right to lease this land parcel.

CHAPTER III

Transfer of State Land into the Forms of Lease, Usufruct and Building Rights

Article 10. The Rule on the Transfer of State Land into the Forms of Lease, Usufruct and Building Rights

1. A decision on transferring state land into the forms of lease, usufruct and building rights is made in accordance with the rule provided in Article 3 of this law.
2. The transfer of state land into the forms of lease, usufruct and building rights is conducted in accordance with the Civil Code and Chapter II of this law.
3. Public legal persons financed through the state budget are allocated state land for use in the form of usufruct.

CHAPTER IV
Alienation of State Land

Article 11. Rule on the Alienation of State Land

1. A decision on the alienation of state land is made in accordance with the rule provided in Article 3 of this law.
2. State land parcels located in zones of reconstruction and perspective development of cities and other settlements shall be sold to citizens of Georgia and private legal persons registered in compliance with Georgian legislation on the basis of auction or tender considering general plans of cities (settled areas), developmental projects, and other city construction documentation. The above-mentioned land parcels shall be registered in the Public Register (Saadguilmamulo Tsigni)*.
3. In accordance with the rule provided in the Civil Code, a sales agreement is drawn up between Georgian citizens or private legal persons purchasing a land parcel (registered in compliance with Georgian legislation) and the state (represented by State Department for Land Management) as the owner of the land parcel.
4. Public-legal restrictions on certain land categories established by the Civil Code remain unchanged irrespective of a change of the owner.

Article 12. Rule on Setting the Price, Payment and Revenue Distribution for State Land

1. Corresponding bodies of local government, in accordance with the methodology endorsed by the Ministry of Economics and the Ministry of Finance, determine the macro-location indexes and zoning of Georgian cities and rayons and the normative price for non-agricultural land (set once a year, not later than February). Normative price for land is used as an initial price at the auction or tender arranged for transferring a state land parcel into ownership.
2. Macro-location indexes of the cities and rayons of Georgia are established on the basis of the following parameters of social-economic and natural characteristics of settled areas:
   a) Population;
   b) Administrative status;
   c) Economic and functional profile
   d) Elevation above sea level;

* Local Records on Land. No English equivalent (translator).

e) Provision with transportation infrastructure;
f) Placement within the settlement system.

3. Zone delimitation within a city or rayon is based on the following parameters:
   a) Engineering infrastructure;
   b) Transportation infrastructure;
   c) Social infrastructure;
   d) Provision with public services and amenities;
   e) Natural-ecological conditions;
   f) Level of prestige.
4. The price for a land parcel shall be paid within two months after allocation. In the case of non-payment of the land parcel price before the deadline, measures defined by the law shall be enforced.
5. A purchaser becomes an owner of the purchased land only after the full payment of land price and registration as an owner in the Public Register (Saadgilomamulo Tsigni).

CHAPTER V
Cancellation of the Rights to Use and Purchase State
Land and other Real Estate for State and Public Needs

Article 13. Cancellation of the Rights to Use and Purchase State Land and Immovable Property for State and Public Needs

Because of state and public interest, in cases of necessity, the state has a priority right to purchase a land parcel and its connected immovable property or to cancel land use rights in compliance with Georgian legislation.

CHAPTER VI
Transitional Provisions

Article 14. Transitional Provisions

1. The Ministry of Economy and the Ministry of Finance in agreement with the State Department for Land Management shall endorse the methodology for determining the normative price of non-agricultural land within one month after the coming into force of this law.
2. Within one month after the coming into force of this law, the State Department for Land Management, in agreement with the Ministry of Urbanization and Construction, the Ministry of State Property Management and other interested institutions, shall approve the rules for auction and tender for transferring state land into use or ownership.
3. Alienation of land located in the border zone shall be determined by Georgian legislation.
4. The law does not extend to those land parcels that were transferred into private ownership on the basis of the Law of Georgia "On Declaration of Private Ownership of Non-agricultural Land in Use of Physical and Private Legal Persons".

CHAPTER VII

Conclusions

Article 15. Conclusions

1. This law shall come into force upon its publication.
2. With regard to the coming into force of this law:

a) Legal and physical persons which are using land, shall draw up land use certifying documents within 1 year after the adoption of this law.

b) Resolution No. 31 (January 21, 1991) of the Council of Ministers "On Establishing the Normatives for Cultivating New Lands in Substitution for Land Allocated for Non-Agricultural Purposes and On Reimbursement of Damages to Agricultural Output" is voided due to the enactment of the Law of Georgia "On Reimbursing Costs and Damages Incurred while Cultivating New Land in Substitution for Agricultural Land Allocated for Non-agricultural Purposes".

3. Laws on the legal status of land adopted by separatist structures temporarily controlling a part of the territory of Georgia, are null and void.

The President of Georgia
Eduard Shevardnadze

Tbilisi
October 28, 1998

Comments on the Law On Ownership of Agricultural Land

1. The indicated Law concerns solely agricultural land. As you know, if a land parcel is registered in the Public Registry as an agricultural land parcel, it is considered to be agricultural land. Meanwhile, in Point 2 of Article 2 it is noted that: "the Law also extends to…" It is noteworthy that parcels located in settlements and construction zones and those forest fund lands, which have been added to the population's parcels, are agricultural, i.e. they are not forest fund lands. Also, notwithstanding whether these lands are located within construction zones or settlements, if these parcels are agricultural and are registered as such, then this issue need not be specified, it is probably better to note that the Law regulates and extends to agricultural land parcels and it is unnecessary to indicate that they are located in settlements or construction zones, and whether at one time they were forest land or not. More so, as the next Article gives a definition of the notion of agricultural land.

Proceeding from the above mentioned, Article 2 should have the following wording:

"Article 2. Scope of functioning of the Law

This Land extends to agricultural land parcels."

2. Point 2 of Article 3 of the Law should be withdrawn. Point 1 of this Article gives a definition of agricultural land, while Point 2 indicates that "agricultural land parcels are also considered to be the following:
a) Ownership share of the household (family) in the territory of pastures, meadows, forests belonging to village, community, legal entity;
b) Those agricultural land parcels, which may be objects of separate rights."

As to Subpoint "a", it is noteworthy that "also" forest territories can in no case be considered as agricultural land parcels. It should also be noted that it is unclear, what object of separate right can a land parcel be. In general, agricultural land parcels have one use – they are used for agricultural purposes: as pastures, meadows, arable land, for perennial plants and in, general, for producing agricultural products and these lands are registered in the Public Registry as agricultural land parcels. It is inexpedient to over-specify this in the Law and it can also be added that these definitions are incomplete and unclear.

Proceeding from all of the above-mentioned, Point 2 of Article 3 should be withdrawn and have the following wording:

"2. Agricultural land may be located both within settlements, and beyond their boundaries."

3. In Point 1 of Article 4 it is noted that a legal entity has the right of ownership on agricultural land if "it is carrying out its main activity in the sphere of agriculture". The indicated words limit employment in agriculture of those legal entities, the main activity of which is not producing of agricultural products. The Law also does not clarify, based on which criteria shall the volume of activity of specific legal entities be determined. The

indicated restriction will hinder activity of these legal entities, as well as investment of capital into agriculture and may also cause corrupt transactions.

Proceeding from this, we consider it expedient to withdraw the above words from the Law and for this Article to have the following wording:

"1. The right on ownership of agricultural land belongs to the state, Georgian citizens, households, bodies of local self-governance of village and community and private legal entities registered in Georgia."

4. In point 3 of Article 4 it is noted that in high-mountainous regions the land may be in private, community and state ownership. First of all, it needs to be clarified, why only in high-mountainous regions, since in flatland areas and on plateaus the land can also be in state and private ownership. As to community ownership – it needs to be specified, what does this mean. Does community ownership imply village ownership, i.e. common ownership of the village population or ownership of self-governance? In our opinion, here is implied ownership of the self-governance unit. Except for the land allocated into ownership, the remaining land at this stage is considered to be state ownership and allocation of these lands into use is carried out at the rayon governance level. As you know, a draft Law on property of the self governing-unit has been prepared, which has not been adopted yet, but it is better to also include and specify in this Law the fact that the common use lands, which are within territorial borders of the self-governance unit and the village should be defined as in their ownership. In this case it will be possible for community organizations, existing in villages, to take the indicated parcels under the right of management and use them proceeding from village interests. It is also important to indicate that this concerns not only high-mountainous regions but also flatland and plateau regions. As to those sakrebulos, in which several villages are united, the lands existing within their territorial boundaries will be in their ownership, only the territory of authority of each village will be indicated according to village territories and the existing districts. This will contribute to active involvement of the village population in management of its own territory and development of farming.

Proceeding from the above this Point should have the following wording:

"3. Pastures existing in state ownership (except for alpine, subalpine, winter and summer pastures) and meadows are transferred into ownership of the bodies of local self-governance".

5. As you already know, the concept of household is provided neither in this Law nor in the Georgian Civil Code, whereas the concept of household farming is provided in this Law. In the Public Registry, the property, including the land, is never registered on the household farming, because the latter does not fit in any legal framework. It is possible that one family in the village pursues household farming. It means that farmer pursues farming with the whole family and that it is family farming. It is also possible that the farmer might be pursuing farming for the purpose of gaining financial benefit. In this case, according to the acting legislature, he must be taxed as a private person or a legal subject, for example: individual entrepreneur or Ltd but not as household farming.

Proceeding from the above mentioned, every part of the Law related to household farmer or household farming should be withdrawn, because it complicates the Law and makes it vague, besides it does not fit in any legal framework.
Same can be said concerning the registration of household farming in the Public Registry. The legislation does not allow the registration of household farming. In accordance with the Civil Code and the Law On Land Registration, in the Public Registry can be registered the following: physical person, legal person or the ownership right on property. In case of co-ownership, owners are marked in accordance with the data on the share. In case of household, only one family member can be the owner, other members will be entered in the column of users (co-owners).
Point 6 of the same Article states that, one of the co-owners is entitled to act on behalf of household farming while relating with the third parties. The procedure on awarding the right is vague. Besides, he should be registered as the head of household farming in the Public Registry.

Taking into consideration all the above mentioned, Points 4, 5, 6 should be withdrawn from the Article 4.

6. Article 6 of the Law is vague. It states that, agricultural land in Georgia is sold by the common rule, however with general limitations. Title of this Article is the following: the right on selling agricultural land. First, the title is not relevant with the contents. Second, it is vague, which rule permits the selling of the land and what is meant by general limitations.

Proceeding from all the above mentioned, it is expedient to withdraw this article from the Law.

7. Article 8 is vague. First, should be differentiated the concept of household farming and the concept of ownership during household farming. Managing the household is not related with managing one's share. "The owner, which manages local estate farming together with the spouse or other family members, can sell agricultural land parcel or household farming (or his share of co-ownership) with their consent. Owner, which uses his ownership for household farming and if family members are also involved in the farming, he has full rights to manage his property on his own, without agreeing with anybody else. Therefore, the concept of owner and co-owner should be differentiated in the beginning of the Article. It is also vague why should the consent be notarized, involvement of notary in this activity will only complicate the process of sale. Sakrebulos are incorporating the functions of notaries, because there are no notaries in the villages. Reflecting it in the Law will complicate the procedure even more. It is also vague, which reasons are reasonable enough for refusing the consent.
It also needs to be mentioned that co-ownership should exist not only in the case of household farming. Proceeding from the above mentioned, the issue of co-ownership should be mentioned in the Article. Taking into consideration all the above mentioned, this Article should have the following wording:

"Article 8. General limitation on selling share in common ownership and the right of first purchase.

The owner should agree with every co-owner before selling his share in co-ownership. During selling the share, other co-owners have the right of first purchase. "

8. Article 9 "Agreement Right on Redemption" should be withdrawn from the Law. Redemption depends on the sales agreement. The above right should be included in the sales agreement, it should also determine terms for redemption and the deadlines, which should not exceed 5 years. It is inexpedient to include such issues in the Law, which are directly regulated by Civil Code. They should be regulated based on contract relations. The above terms and deadlines should not be determined and established by the Law. It should be up to the parties. Articles 509-515 of the Civil Code are regulating the issues of redemption.

Taking into consideration all the above mentioned, this Article should be withdrawn from the Law.

9. Concerning the lessee's right of first purchase, how can the farming be household, if its owner is not managing it but leasing? Moreover, why household farming? Every person has the right to lease out his parcel and then decide to sell it. Does the lessee have the right of first purchase in this case? Awarding the status of household farming might become the source of corruption in the future. This article also states that the owner or the lessee of neighboring parcel has the right of first purchase, if the lessee of the very parcel refuses it. This makes the situation complicated. It is unclear what criteria define lessee or owner of adjacent parcel, and which one of them will have priority right. In order to avoid this puzzle and other misunderstandings, I consider that indicated article shall be withdrawn and it should have the wording of an old version:

"Article 10. Lessee's Right of First Purchase

During alienation of land parcel, lessee of an agricultural land parcel has first purchase right."

10. Similarly, Article 11 of the Law is vague. It states that in case of selling share of common household local estate farm, co-owners have first purchase right. In Point 2 of the article, indicated right is awarded to the co-owner of adjacent land parcel (not owner), who is also the owner of local estate farm and manages it. In my opinion these articles are absurd.

Since the amendments regarding co-owners are already made to Article 8, Article 11 shall be withdrawn from the Law.

11. Article 12. The Law has had this amendment for six months, however so called local estate fund has never been established and I doubt that it ever will, due to various circumstances. According to this Article, first purchase right is not practiced if child of the owners desires to receive farm and manage it. One fact shall be taken into consideration. If owner's child is not planning to manage the farm, he/she has full right to sell or give the property as a gift. Why should be the person's rights limited and why should he/she be obliged to sell it to the state? In my opinion the state shall not have the indicated right. If the state desires to purchase the land, offer for better price should be made to seller and that way they will be able to purchase the property. The above-mentioned might become reason for

monopolizing state activities, if besides lack of finances they will still be able to purchase the property in the future.

This article shall be withdrawn.

12. As for the Point 2 of Article 19, according to which alienation of agricultural land is prohibited if the remaining area of the land parcel after alienation will be less than 5 hectares. Indicated restriction in my opinion is unacceptable, first of all in Georgia it is practically impossible for the parcel to have area of 5 hectares after its alienation since as a result of land reform maximal area of land transferred into the private ownership was 1.25 hectares. It is possible to have larger areas, though it never comprises just one parcel. The village is not strong enough, peasants are unable to increase their ownership and then after selling their property not to reduce it up to less amount than established norm. Realistically at this stage the farmers are unable to cultivate even the small area of land and they are selling it partially, this restriction will complicate already severe condition existing in the villages.

Pont 2 of Article 19 shall be withdrawn from the Law.

13. Article 20 of the Law is inconsistent with legislation, since the legislation does not issue sanction on not cultivating land and not managing farm 2 years in a row, none of the laws requires leasing the land out if it is not being cultivated. The only right thing in this article is that for non payment of land tax, the Tax Code imposes fine on landowner on each delayed day of the land tax payment deadline, in other words the Code establishes sanctions for non payment.

Based on all of the above-mentioned the indicated article shall be withdrawn from the Law.

14. Chapter IV. Since the transitional provisions of this chapter provide issues for the enactment of several articles of the Law and indicated points have been withdrawn from the Law 7 months ago, it would be expedient to withdraw the whole chapter from the Law.

Chapter IV. Transitional Provisions shall be withdrawn from the Law.

Georgian Law
On Declaration of Private Ownership of Non-agricultural Land in Use of Physical and Private Legal Persons

CHAPTER I
GENERAL PROVISIONS

Article 1. Definition of Terms Used in the Law

Terms used in the law have the following meaning:

a) **Declaration of non-agricultural land in private ownership –** award of private ownership rights to physical and private legal persons to non-agricultural land in their use;

b) **Non-agricultural land parcel** – all land parcels, which are not used for agricultural purposes;

c) **Land parcel in use** – non-agricultural land parcel allocated to physical or private legal persons according to existing rules[69];

d) **Existing rules on land allocation** – rules for land allocation determined by current legislation at the time of allocating non-agricultural land to a land user;

e) **Allocated Land** – land transferred to physical or private legal persons for use in a form determined by the document certifying land use right;

f) **A document certifying land use rights** – land parcel allocation act or land parcel plan or their properly confirmed copy issued (according to existing rules) by a corresponding agency prior to the coming into force of this law;

g) **Corresponding Agency** – bodies of state or local government and self-government, central and territorial bodies of the Ministry of Urbanization and Construction and SDLM.

[69] The Georgian word for "rule" or "rules" is used in the text of the law to refer to both administrative regulations of city, rayon and local governmental bodies and to various provisions of the law, the Civil Code and other legislative statutes. (translator's note)

Article 2. The Scope of Regulation of the Law

1. This law regulates the issues related to awarding a private ownership right[70] to physical persons and private legal persons using state-owned non-agricultural lands.

2. Award of a private ownership right extends to the following state-owned non-agricultural land in use of physical persons and private legal persons:

a) Non-agricultural land parcels used by privatized (private) enterprises;
b) Non-agricultural land parcels allocated to physical persons or private legal persons for use according to existing rules.

3. The law does not extend to:
a) State-owned non-agricultural land used by public legal persons;
b) State-owned non-agricultural lands used by treasury enterprises;
c) Lands located in the territories of main pipelines, underground communications, high voltage transmission lines, main railways and other main transport routes, seaports, hydro-technical constructions and their sanitary-technical zones, also territories designated for dock utilization, and protected zones of state-owned buildings that are considered historical, natural and cultural monuments by the state;
d) Non-agricultural land parcels allocated for temporary use, which must be brought back to their original conditions upon the demand of local self-governmental or local governmental bodies, and that is indicated in the document certifying land use;
e) Those non-agricultural land parcels which are considered to be owned by physical or private legal persons after the coming into force of the Civil Code;
f) All other non-agricultural land parcels which are not envisaged by Point 2 of this article.

Article 3. Rule for Awarding a Private Ownership Right to Land Parcels in Use of Physical and Private Legal Persons

1. A private ownership right is awarded to a citizen of Georgia and a private legal person registered according to Georgian legislation on non-agricultural land parcels allocated before the coming into force of this law on the basis of a land use certifying document. Rules on immovable property envisaged by the Civil Code extend to these land parcels.

2. Upon awarding private ownership to a land parcel, a physical or private legal person pays a one-time payment for each square meter of the land parcel equal to the amount of annual non-agricultural land tax established by the Tax Code as of October 1, 1998.

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[70] The law repeatedly refers to "awarding a private ownership right to a land parcel" in the singular form. In all likelihood, this means awarding private ownership rights to a land parcel and does not infer that some third party also has a private ownership right to the land parcel. (translator's note)

3. The one-time payment established by Point 2 of this article shall be paid before December 31, 1998. After the expiration of this term, the one-time payment is doubled.

4. If a physical and a private legal person does not pay the one-time payment established by this law, it is required to register a land parcel in a form of use provided by the Civil Code of Georgia (lease, right to build, usufruct, *kiravnoba*[71]) before December 31, 1999. He will be awarded a private ownership right to land upon the payment of the one-time payment provided by Points 2 and 3 of this article.

5. The payment of the one-time payment for awarding private ownership right in land does not exempt an entity which receives a land parcel in private ownership from paying the land tax established by the Tax Code of Georgia.

6. A land parcel allocated to physical and private legal persons for residential construction according to existing rules which has not been declared as private ownership according to the Civil Code, is transferred free of charge into their ownership, with the exception of land parcels allocated for residential construction to state agencies and organizations.

Article 4. Rules for Registration

1. An ownership or use right to a land parcel which is awarded to physical persons or private legal persons in ownership on the basis of this law, shall be registered in a form of initial registration at the zone registry office of SDLM in compliance with this law, the Civil Code of Georgia and the Law on Land Registration.

2. Non-agricultural land is initially registered on the basis of a document certifying a land use right, which is officially recorded or issued by a corresponding agency.

3. For the purpose of the initial registration of a private ownership right in non-agricultural land, an applicant shall submit the following documents to the registrar:

a) An application;
b) A document certifying a land use right;
c) A document certifying ownership in immovable property associated with a land parcel for which private ownership rights are being awarded;
d) A document proving that the land tax envisaged by the Tax Code and the one-time payment established by this law are paid;
e) A copy of a court decision on registering the private legal person.

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[71] No English equivalent. *Kiravnoba* is similar to lease. The only difference is that in the case of *kiravnoba*, a lessee does not gain profit from the utilization of the leased property. (translator's note)

4. Upon submission of the application and attached documents, a registrar or his authorized representative shall certify their receipt by signing, sealing and dating a copy of an application.

5. A registrar or his authorized representative registers a private ownership right to non-agricultural land within 10 days after receiving an application.

6. If a registrar or his authorized representative refuses to accept an application or to register a private ownership right, he must provide an applicant with a written explanation of the reasons of refusal within 10 days after receiving the application.

7. A physical person or a legal person may be refused from registering a land ownership right if:

a) He failed to submit documents defined in Point 3 of this article;
b) A land parcel to be registered, as described in the existing document, or building-constructions located on it are owned by another physical or legal person.

Article 5. Invalidation of Transactions Related to Awarding of a Private Ownership Right

1. Disputable issues related to awarding of a private ownership right and questions related to the invalidation of transactions are settled by a court of law.

2. Legal and property results of transaction invalidation and disputable proceedings related to the awarding of a private ownership right are defined by Georgian legislation.

3. For the reconsideration of disputable issues that are connected with awarding of an ownership right to land, the statute of limitations is 3 years.

CHAPTER II

TRANSITIONAL PROVISIONS

Article 6. Transitional Provisions

1. Upon the coming into force of this law, state property is privatized together with the land parcel attached to it according to the existing rule in compliance with the Law on State Property Privatization, agreed to by entities of SDLM.

2. Use of lands located in the border zone of Georgia is regulated by the Law on the State Border of Georgia.

3. Laws on the legal status of land adopted by separatist structures temporarily controlling a part of the territory of Georgia are null and void.

CHAPTER III
CONCLUSIVE PROVISION

Article 7. Conclusive Provision

This law comes into force upon its publication.

The President of Georgia Eduard Shevardnadze

Tbilisi

October 28, 1998

L a w o f G e o r g i a

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:
   a) Pastures;
   b) Cattle transfer routs;
   c) Lands of the water fund, except for artificial fishing ponds and land parcels of common water usage categories used for agricultural purposes as regulated by the Law of Georgia on Water;
   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) Agricultural lands qualifying for the reform fund in the Adjara Autonomous Republic;
   i) Agricultural lands that are used by the Budget-funded institutions and legal persons of public law in form of usufruct.

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** – chargeable transfer of State-owned agricultural land into private ownership of citizens of Georgia or legal persons of private law registered in Georgia;
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 residing (recorded in the Household Book) within territorial boundaries of the specific village, daba, community and city sakrebulo have the right to participate in the auction of this form;
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** – privatization plan the goal of which is to identify privatization land areas, fragment them into optimal-size parcels and effectively implement privatization process. The plan will include lists of privatization parcels, cadastre plans, cadastre maps and other record documents.
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 villages, communities, daba sakrebulos, which confirms residency and household membership of a person within specific residential areas.

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 or direct sales;
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.

Article 6. Agencies Implementing Privatization of Agricultural Land

1. Privatization of leased agricultural lands through direct sales, also privatization of non-leased parcels (the parcels that failed to be sold on special auctions) through open auctions and privatization of formerly leased agricultural lands is implemented by the Ministry of Economic Development of Georgia.
2. Privatization of non-leased agricultural lands through special auctions is implemented by village, city, daba, or community sakrebulos.
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 protocol 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

Survey, depiction and preparation of cadastre maps for non-leased privatization land parcels are implemented by local self-governance agencies using the information existing in respective territorial services of National Agency of Public Registry. Respective territorial services of National Agency of Public Registry shall provide accessibility to their information.

Chapter II. Privatization of Leased Agricultural Land

Article 8. 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 through direct sale is carried out on the basis of the existing cadastral plan and documents.
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. In case of legal dispute involving the leased land, this land parcel shall not be privatized until the final resolution of the dispute.
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.

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 protocol 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 protocol confirming purchase of land or other real estate and shall process the hypothec agreement in order to allow registration of ownership right and hypothec agreement in the Public Registry;

c) Making decisions of the respective territorial agency of the Ministry of Economic Development public. Also, making information regarding privatization and privatized lands, lessees and lease agreements public;

d) Informing lessees through publishing information in the press, on the website of the Ministry of Economic Development and through individual notifications of lessees in a written form.

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. One month after submitting application for privatization of the leased land, lessee shall pay the total purchase amount or at lease 20% of the purchase amount of the land parcel and real estate to the special account. Receipt of the payment shall be submitted with the respective rayon agency of the Ministry of Economic Development.
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 lessee pays 50% of the entire purchase amount within one year after processing the agreement, the land parcels and other real estate shall be considered purchased; in case of payment of 70% within 1 - 3 years, the parcel and other real estate shall be as well considered purchased. After expiration of three years, an individual shall cover 100% of the purchase amount.

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 residents of those cities, villages, dabas and communities where the land parcel to be sold is located, (persons recorded in the Household Book) have the right to participate in special auctions.

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. Authorities of Sakrebulos, Ministry of Economic Development and its Respective Rayon Agencies in Privatization Process of Non-leased Agricultural Lands

1. In the process of privatization of non-leased lands, duties and responsibilities of sakrebulos include:
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 naturally smaller than 3 hectares);
b) Compiling privatization plans and their submission with rayon agencies of the Ministry of Economic Development for approval;
c) Organizing and conducting special auctions. Creating of the protocol identifying the winner in the auction and its issuance to the auction winner;
d) In case of failure to identify the winner at the special auction, sending documents to the respective agencies of the Ministry of Economic Development to conduct an open auction;
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 rayon agencies include:
a) Reviewing, consulting the privatization plan with respective State agencies and its approval;
b) Publishing of draft privatization plans one month before its approval;
c) Organizing and conducting open auctions;
d) Compiling protocols identifying the winners in open auctions;
e) Issuing the protocol confirming land and other real estate purchase immediately the protocol 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 protocol confirming purchase of land and other real estate and processing the hypothec agreement in order to allow registration of ownership right and hypothec agreement in the Public Registry;
f) Providing publicity about selling and sold land parcels.

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

1. Winner of special and open auction shall pay, within one month after receiving the protocol 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 to the special account. Receipt on payment of the purchase amount is submitted to the respective territorial agency of the Ministry of Economic Development. Only after submission of this document, the protocol confirming purchase of land and other real estate shall be issued to register ownership right in the Public Registry, or, in case of payment in installments, the purchase protocol and hypothec agreement shall be made in order to allow registration of ownership right and hypothec in the Public Registry. If a winner fails to submit the document confirming payment within the set dates, the auction results shall be announced as invalid.

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 hypothec to the benefit of the State and registered in the Public Registry. After full payment of the amount, the hypothec 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 a winner of a special and open auction pays 50% of the full amount within a year, the land parcel and other real estate shall be considered purchased; in case of payment of 70% of the full amount within 1-3 years, the land parcel and other real estate shall be considered purchased. After expiration of three years, a person shall pay 100% of the entire amount.

Chapter IV. Registration of Agricultural Land Ownership Right and Hypothec

Article 17. Registration of ownership right and hypothec

1. Ownership rights on agricultural land and other real estate and hypothec (if such exists) are registered together, in the form of initial registration.

2. Buyer of land and other real estate through special or open auctions shall submit with the respective service of the Public Registry the following documents:

a) Registration application;
b) Protocol confirming purchase of land and other real estate issued by the respective agency of the Ministry of Economic Development. In case of

payment in installments, protocol confirming purchase of land and other real estate and hypothec agreement shall be submitted;

c) In case of physical person – copy of the ID or passport;
d) In case of legal entity – document confirming registration in court or the Ministry of Justice.

3. Buyer of land and other real estate through direct sale shall submit with the respective service of the National Agency of Public Registry the following documents:

a) Registration application;
b) Protocol issued by the respective territorial agency of the Ministry of Economic Development confirming privatization of land and other real estate, or in case of payment in installments, protocol confirming privatization of land and other real estate and hypothec agreement;
c) In case of physical person –copy of the ID or passport;
d) In case of legal entity – document confirming registration in court or the Ministry of Justice;

4. In case of change of owner of the privatized property, restrictions and requirements established by this Law shall automatically apply to a new owner of the land.

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 Protocol identifying the winner in the auction;
c) Form of Protocol confirming land and other real estate purchase to be submitted with the Public Registry;
d) Form of hypothec 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. Rules established by Articles 183 and 289 of the Civil Code of Georgia shall not apply to object relations implemented for the purposes of this Law.

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
1896 – rs

Law of Georgia

On Land Registration

Chapter I. General Provisions

Article 1. Definitions Used in the Law

The definitions (terms) used in this Law have the following meaning:
"Cadastral map" means a map or an aggregate of maps as per Chapter 3 of this Law:

"Land Registration" means the registration of a plot of land and its related real estate:

"Registration" means making of an entry, notation or description in the registry card and a graphic representation of real estate in compliance with provisions of this Law;

"Registry" means a land registration service;

"Registration card" means a registration sheet made up for each plot of land and compulsory information on the legal status and borders of the plot and the real estate located on it as well as the plan of the registered object (the graphic representation is separately given on the cadastral map as well);

"Registration number" means a register-defined number which belongs to each plot of land and other real estate;

"Determination of borders" means the determination of borders of land being in possession or use and of other real estate;

"Servitude" means a right to use land and other real estate being in other person's possession or any term of using the property which to a certain extent restricts the owner's rights (e.g. a right to use a road, canal, water located in other person's land, etc.);

"Registration certificate" means a certificate containing a description and property loading of land and other real estate related to it in compliance with the registration data;

"Other real estate" means buildings and structures located on land:

"Registration zone" means a geographical area defined for the purpose of land and other real estate registration;

"Restriction" means a registrar's ruling concerning restriction of the right to register certain real estate;

"Restriction agreement" means an act of restricting the use of land and other real estate;

"Hypothecary (mortgage)" means a right of the creditor to the priority claim from the property for obtaining credit in using land and other real estate.

Chapter II. Land Registration System Organization

Article 2. Purposes of Land Registration

1. The state registration of rights to land (hereinafter the "land registration") is an integral part of the land cadastre and includes necessary data on borders, the quantitative and qualitative and legal status of a plot of land and objects of property immovably associated with land.

2. The purpose of land registration is the recognition or confirmation by the state of the origin, transfer, restriction or suspension of rights to a plot of land and the property immovably associated with land.

3. One party to the land registration relations shall be the owner of the property or any person having the proprietary right to the object: a Georgian citizen, stateless person or foreign citizen, a Georgian or foreign legal person, international organization, a state and local administration body, while the other party shall be the State Land Management Department.

4. Before enactment of this Law, the rights to land and its associated real estate shall be subject to mandatory state registration in compliance with provisions of the Law. The rights originating after enactment of the Law shall be legally valid after state registration.

5. State registration on the territory of Georgia shall be made in the public register under the uniform system for making entries stipulated in this Law.

Amendment approved 30 April, 1999 added the following paragraph:

6. Technical recording-description, inventorization and passportization of building-constructions closely connected to land, objects of amenities, underground and on-ground

engineering communications are conducted by relevant territorial offices of local governance for technical recording, which are managed methodologically and coordinated by the Ministry of Urbanization and Construction. Indicated data will be submitted to the Public Registry agency of the State Department for Land Management based on the established rule and responsibility on its accuracy is determined by the legislature of Georgia.

Article 3. State Registry Service

1. Land registration throughout all Georgia shall be carried out by the State Land Management Department.

2. With the purpose of implementation of the requirements of the Law, the State Land Management Department shall issue methodological comments, instructions and by-laws.

3. For the purposes of registration the territory of Georgia shall be divided into zones (mainly according to administrative regions and large towns), each zone being divided into sectors (mainly according to councils and towns districts), the sector – into blocks, the block – into lots.

4. Borders of each registry zone as provided for in the Law shall be determined and matters of their operation shall be settled by the State Land Management Department.

5. A land registry of the geographical area shall be set up in the administrative centre of each registry zone. The registry, as a local division of the State Land Management Department, shall, together with the land cadastre activities,
   coordination, the land tenure system organization and other matters being within

   its jurisdiction, manage land registration within the limits of a concrete zone.

6. The registry shall:
   a) register land and its associated real estate;

   b) draw up and keep the cadastral map of the geographical area registration and land registration cards;

   c) keep all agreements related to the proprietary right transfer, the certificate of succession and other acts related to the right to land and other real estate as well as topographic plans of the property, the registration indices and other entries required for the real estate registration.

Article 4. Registration Management

Registration of land and other real estate is managed by Chief Registrar. Registration in each zone is managed by zone registrar, who reports to Chief Registrar and is responsible for keeping documentation as well as other aspects of management of zone registration office.

Article 5. Rights of a Registrar

1. A Registrar shall be entitled:

a) to issue a certificate comprising data on the registered in the registration card land and other real estate as well as a certificate of informational nature;

b) to request from a person the presentation to him/her or his/her representative of the information or explanation concerning land and other real estate and its associated agreement, the topographic plan and other instruments. Any person shall be liable to immediately comply with the said request;

c) to exercise other powers established under the Law.

2. Proceeding from provisions of the Law, the expenses in connection with the land and other real estate inspection, where they are caused by the incorrect property declaration, shall be borne by the declaration submitted.

Article 6. Registry Seal and Registry Staff's Responsibility

1. A Registry has its own seal.

2. A Chief Registrar, a Registrar and other Registry staff shall not be responsible for any activity or inactivity if they proceed from the requirements of the Law and are accomplished in compliance with them.

3. A Registrar shall not be responsible for the damage resulting from:

a) the claimant's personal irresponsibility;

b) a notary's mistake;

c) a mistake made during the cadastral study or description of borders.

4. Actions of the Registry staff member may be appealed against within two years from arising of the claim or from the date when the claimant in all cases should have been aware of the reason for a claim.

Article 7. Real Estate Registry Card

1. Each registry shall keep land and other real estate registry cards and registry maps. Entries made in a registry card shall be the main legal basis for determining the legal status with regard to the property.

2. A registry card is composed of four main parts;

a) the ”Property” division comprises a brief description of the property being in possession or use together with its associated rights and terms as well as the registry cadastral (indexed) map data;

b) the “Owner” division comprises the name of the owner and address; an entry of any restriction on the owner’s right;

c) the ”Liability” division comprises any kind of liabilities, the servitude, the restrictions on land and other real estate;

d) the ”Lease and Mortgage” division comprises any entry concerning lease and mortgage.

3. Any new registry card shall be made up by a zone registrar. The registrar shall be entitled to revoke any entry in the registry card and open a new registry card if the old entry or its data are no longer valid. The form of a registry card shall be subject to approval by the Chief Registrar.

4. Each successive agreement following the registration concerning the rights arisen to the property shall be registered in compliance with this Law. The owner and parties to the agreement associated with him/her (or the family head in the case of joint ownership by the family members) shall be notified about any entry made in the register in connection with land and other real estate.

Article 8. Term of Registration

1. All agreements or other documents affecting land or other real estate associated with land shall be applied for registration within no later than 30 days as of their drawing up.

2. If a document is presented for registration after 30 days from its drawing up, a sum shall be paid in addition to the registration fee for each overdue day at the established rate.

Article 9. Compulsory Registration Requirement

If a registrar is certain that a person intentionally avoids registration of any right which under the Law is subject to registration, he/she shall order the person in writing to present documents for registration and pay fees for both the registration and the delayed presentation of documents.

Article 10. Suspension of Registration and Registration of Other Real Estate

Joint Owners

Amendment approved on 4 June, 2001, substituted this paragraph for the former point No. 1 (see below):

1. ransaction related to real estate is conducted based on Extract from the Public Registry. The Registrar is obliged to issue Extract from the Public Registry, certified copies of cadastre maps and cadastre plans within 48 hours upon their request (submission of the application).

Former Point No. 1: If an agreement offerrer petitions before a registrar on suspension of registration of other person's right in connection with the property and the owner of the property confirms his/her consent in writing, the registration of any document may be suspended for the term of 15 to 30 days from the date of the petition's acceptance and its certification by the registrar as well as making a corresponding inscription on the registry card. The purpose of suspension is to avoid registration of a double dealing.

2. Each document which represents an instrument certifying the proprietary right of two or more persons to land and other real estate associated with land shall be reflected if the amount of each co-owner's share is not known, an equal share shall be recorded for each co-owner unless otherwise provided.

3. In order to avoid overloading of a registry card with entries during registration of land and other real estate being in joint ownership of a family, it is possible to

register the head of family in the ”Owner” division, while the rights of other family members be registered in the “Restriction” division.

4. In a similar way may be reflected in a registry card the rights in connection with the property which joint owners exceed two.

5. Such reflection of the property in a registry card is of technical nature and does not restrict legal rights of any co-owner.

The following two paragraphs were approved in an amendment on 4 June, 2001:

6. The Extract from the Public Registry issued by the Registrar is subject to special note. The Registrar makes special note in the column of notes of the Registration Card, indicating the reason for which the Extract was issued. The Extract from the Public Registry is valid for one calendar month as of its issuance.

7. The Registrar is obliged to register the transaction related to real estate and issue the extract from the Public Registry (or the Registration Certificate) within 48 hours as of submission of the relevant documentation.

Chapter III. Maps, Plots, Borders

Article 11. Registry Cadastral Map

1. A registry shall necessarily keep a map or an aggregate of maps which are registered, cadastral (indexed) maps of the land and other real estate registration zone. Responsibility for availability of the maps shall be placed on a registrar.

2. A cadastral map shall comprise the land and other real estate’s registration number, geographical location, situational (roads, rivers, canals, power transmission lines, ravines, canyons, etc) and all geodesic and topographic indices required for determining borders. Also indicated shall be the servitude borders.

3. In order to broaden information provided by a cadastral map, a topographic plan of certain real estate may be drawn up and registered in a registry card.

4. Standards for cadastral maps and topographic plans shall be approved by the Chief Registrar.

Article 12. Registry Cadastral Map Correction and New Addenda

1. A registrar may demand the conduct of a land and other real estate land-tenure study and making amendments to the cadastral map on the basis of the study results, which is to be notified to concerned persons in advance of 20 to 30 days or published in mass media, is the prospective work is of large scale, so as to enable the persons concerned to make claims, if any, and be present during the determination of borders.

2. A registrar may give instructions on preparation of a new cadastral map or its part. Alterations on the new map shall be notified by the registrar to the property-entitled persons. In the case of any disagreement the registrar's decision may be appealed against in court.

Article 13. Borders

1. A registrar may record both fixed and approximate borders.

2. The fixation of borders shall be made only by a registrar on the basis of an agreement with the bordering parties and on the entry of the cadastral work data performed under established procedure. All other borders shall be approximate.

3. A registrar shall have an indication of whether the border is fixed or approximate.

4. If participants to a dispute which may arise in connection with border drawing succeed in reaching an agreement, a register shall correct the cadastral map and registry cards in accordance with the agreement reached and shall keep the decision on the agreement in archives.
5. In the case of any dispute of disagreement in connection with the border fixing, a registrar with the purpose of setting the dispute shall, on the basis of the concerned parties' application, consider the matter, determine and indicate to the conflicting parties the location of borders. In the case of a failure of the parties to arrive at agreement, the registrar shall propose one of the parties or both parties to address court within 15 days and shall make an appropriate record in the registry card. If within this period the parties fail to apply to court, the registrar shall indicate so in the registry card.

Article 14. Border Fixing

1. A register shall, within a certain time period and using available means, fix the borderline.

2. The only legal basis for border fixing shall be the registry cards and registry maps data irrespective of whether or not the site has the border. In the case the site border is damaged, obliterated or distorted, its restoration shall be effected in compliance with the registry-available data.

Article 15. Merger and Division

1. Where the objects of land and other real estate constitute the property of one owner and are subject to equal rights and duties, a registrar may, at the owner's request, join them for which purpose the older registry cards are closed, new ones are opened and appropriate indications on the cadastral map are made.

2. If due to the proposed division the proprietary right to the property is fundamentally changed, which should be regulated by transfer of the property, a registrar shall refuse from such division. The registrar shall be entitled to ban the property objects alteration which may lead to the infringement of legal rights of persons towards the property object.

3. If a person wishes to divide his/her property into parts, a registrar shall request from him/her the submission of a topographic plan of the proposed division. The plan shall be worked out by a licensed topographer and approved at a corresponding body which is to confirm its compliance with the law in force.

Article 16. Registration of Land or Other Real Estate Part's Transfer into Possession

Neither part of land and other real estate registered in a registry card may be transferred into other person's possession unless the owner preliminary divided the property in compliance with this Law, unless new registry cards are opened for each part of the property, and unless a document supporting the proprietary right's transfer is available.

Chapter IV. Initial Registration of Land and Other Real Estate

Article 17. Initial Registration and Openness

1. The initial registration of land and other real estate shall take place upon drawing up of a registry card in compliance with this Law and all the normative acts which determine the rights and liabilities associated with the property.

2. The initial registration may take place on two basis: on the basis of establishing a right to the objects of land and other real estate and on the basis of transfer of rights to this property.

3. The registration on the basis of establishing rights to the real estate objects means the conduct of the land cadastre works within the limits of a certain territory in order that the property, the real estate borders and rights to it be registered and documented.

4. A procedure for conducting the land cadastre works, processing the obtained information and entering data in the register shall be established by the Chief Registrar under a separate normative act.

5. Information about the time and place of the land cadastre work conduct shall be made public through mass media as well as by means of posting up advertisements in a building of the local government to make it possible for concerned natural and legal persons to attend the real estate borders fixing being of interest to them.

6. Pursuant to this article, the unclaimed land and real estate shall, upon passing of some time, be registered in the registry cards and cadastral maps. From this date a registrar may issue certificates and references on the basis of the data contained in the registry cards and cadastral maps.

Article 18. Settlement of Claims to Initial Registration

1. Amendments and agreements made by the parties are to be registered in writing, signed by them and notarized, following which a registrar shall accordingly correct the cadastral map and the registry card.

2. A dispute which cannot be settled by the parties shall be settled by court. A registrar shall offer in writing one of the parties or both of them to apply to a corresponding court within 15 days and shall make an entry in the registry card on the above. If the party fails to appeal to court within the specified period, this shall be indicated under a corresponding entry in the registry card.

Chapter V. Registration Certificate

Article 19. Property and Lease Registration Certificate

1. The real estate property and lease registration certificate is an official state instrument.

2. The registration certificate reflects all information reflecting rights to the real estate ownership and lease which is indicated in a registry card by the date of its issue. The land and its associated real estate or mortgage agreement shall be subject to the rights and duties which entered in a registry card, even if they are not indicated in the registration certificate.

3. A registration certificate shall be issued on the basis of an application of the property owner or the lessee.

4. Only one registration certificate may be issued on each land and other real estate lease agreement.

5. The form of a registration certificate shall be approved by the Chief Registrar.

Article 20. Lost or Damaged Registration certificate

If a registration certificate is lost or damaged, the owner may request a new certificate from a registry for which purpose he/she shall present an explanatory note concerning the loss or damage. At the same time the owner shall publish a notification on the above, following which the registrar shall issue a new certificate and make an appropriate entry in the registry card. If the lost certificate is found, it shall be handled over to the registrar for annulment.

Article 21. Control and Copy

All interested persons may access and control any registry card and receive its certified copy as well as copies of the registered cadastral map part and of all property documents and topographic plans on the basis of a written application and appropriate remuneration.

Chapter VI. Registration of Land and Other Real Estate Lease, Sale, Mortgage Agreements and Other Rights

Article 22. Sale and Lease Agreement Registration

A land and other real estate alienation agreement shall be registered in a corresponding registry part.

Article 23. Mortgage Agreement Registration

1. A mortgage agreement shall be subject to registration in an appropriate registry card's division.

2. A registrar shall register the payment of the amount and interest provided for in the mortgage as well as performance or non-performance of other conditions proceeding from the mortgage agreement.

3. Information on the mortgage shall be correspondingly reflected in the property or lease certificate as well.

Article 24. Mortgage Agreement Revocation

In case a mortgage agreement is suspended a registrar shall revoke the mortgage registration on the basis of a written application. The application shall be appended with the agreement revocation grounds.

Article 25. Rights to Use Certificate Registration

1. A separate registration sheet shall be drawn up for any right to use the property being in possession and be reflected in the real estate cadastral map.

2. Registration of land and other real estate may be effected on the basis of court's ruling on the acquisition of real estate.

Article 26. Property Transfer Registration

If the state, a natural or legal person acquired land or other real estate, concluded a lease agreement or mortgage it on the basis of law or if such right is acquired under decision of a court administrative body, a registrar shall on the basis of the acts presented by the concerned person, carry out registration and shall enter the state, the natural or legal person to which the property has been transferred as owner.

Article 27. Land and Other Real Estate Division Registration

1. If the co-owners' consent on the property division is notarially certified the property may be registered separately under established procedure.

2. A registration application is made by:
   a) One or several co-owners;
   b) Any person to whose benefit a court's decision on sale of indivisible part of the property has been made.

3. Division shall be made under the procedure as per Article 15 of this Law.

Article 28. Registration by Proxy

Upon application of the owner, his/her proxy shall be registered in the registry card part which is intended for the owner. The original copy of the proxy shall be kept in the registry archives.

Article 29. Registration of Rights on the Basis of Deed Issued in Foreign State

Any deed which is issued in a foreign state and is applied in relation to land and other real estate registration in Georgia shall be certified in this state by an official representative of Georgia.

Chapter VII. Servitude, Agreement on Registration and Restriction

Article 30. Servitude Registration

1. A servitude shall be registered in a corresponding division of the registry card. A concerned person shall present a servitude establishment act to a register, comprising:

a) the servitude essence (nature), servitude validity as well as conditions and restrictions effecting its efficiency;
b) land or other real estate or its part to which the servitude applies.

2. A document by means of which the servitude is effected shall be appended to the file. It shall comprise a topographic plan which is necessary to specify the servitude's location.

Article 31. Restriction Agreement Registration

If a document comprises as agreement on restriction, it shall be submitted to a registrar. The registrar shall enter it in a corresponding division of the registry card and indicate the agreement peculiarities or shall be guided by the agreement instrument and keep (deposit) it.

Article 32. Restriction Register

1. In order to prevent fraud, incorrect or imperfect activity, a registrar shall give instructions on the restriction registration in the appropriate divisions of the registry card upon application of the concerned person or without it. The registrar may give such instructions after familiarization with statements of the persons whose information he/she considers adequate. This restriction prohibits or restricts deals in regard to concrete property.

2. A restriction may apply:
   a) within a certain period;
   b) before realization of a certain event;
   c) before new instructions are received.

3. A registrar shall give instructions on restriction in the event when he/she is sure that the owner's right to the disposal of real estate is restricted. The entry on restriction shall be notified to the proprietor or owner.

Article 33. Restriction Deed and Notification

1. A registrar shall notify the owner in writing on the restriction registration.
2. While the restriction is registered, no document may be registered which contradicts it unless there is the registrar's instruction or court's ruling.

Article 34. Restriction Change

If it is proved that grounds for restriction of deals no longer exist, a registrar shall revoke or change the restriction upon application of the concerned person.

Article 35. Restriction Agreement Closure, Servitude Change

A registrar shall revoke or change the servitude and restriction on the basis of a joint application of the parties concerning the restriction agreement closure or in the event of presentation of necessary documents by the person in whose favour the servitude has been made.

Chapter VIII. Register Correction And Compensation

Article 36. Corrections by Registrar

1. A registrar may correct a registry card or any document in the cases as follows;

a) in case of existence of mistakes or incomplete data not affecting material interests of the owners;

b) when a person presents the ruling of the court confirming the fact of ownership;

c) with the consent of all persons concerned in the cases provided for in law;

d) when a repeated specification of the area and borders reveals the inaccurate character of the cadastral map and the registry card's former data and the registrar notifies the registered concerned persons on the above change in advance;

e) in the event of changing the owner's name and address and upon the owner's application.

2. The Chief Registrar may re-consider the registrar's decision on the registry card correction.

Article 37. Compensation Claiming Procedure

On this basis of any concerned person's application a registrar shall immediately make a decision on whether the expenses and damage incurred as a result of the incorrect information registration is subject to compensation. The unsatisfied claims shall be considered in court.

Chapter IX. Registrar's Decision And Compliant

Article 38. Complaint

1. If a person disagrees with a registrar's decision, instruction, definition or presentation of a matter before the Chief Registrar, he/she shall, within 30 days from the notification receipt, inform the registrar about his/her decision to file a complaint with a court.

2. Upon notification of the filing of a complaint, a registrar prepares and forwards to an appropriate court a brief matter-related report and appends it with the information on the Chief Registrar and the complainant as well as on all other persons associated with the complaint.

3. When the complaining party demands from the registrar the transfer of the matter to the court, it shall deposit a necessary sum with the registrar in order to compensate the expenses in connection with the preparation of documents.

Chapter X. Fees, Non-Fulfillment of Registration Requirements

Article 39. Fees

1. In order to obtain a registration certificate, a registry card's extract, a certified copy and registry-related documents as well as for drawing up a topographic plan, carry out its re-examination and other work, a concerned person shall pay registration fees under established procedure.

2. The amount of fee and their application procedure are established by Parliament of Georgia.

Article 40. Non-fulfillment of Registration Requirements.

1. Any activity which contradicts the requirements of this Law as well as infringes the general principle of inadmissibility of using land and other real estate without registration of an appropriate right shall be subject to fine by a registrar. A list of finable activities and fine rates are established by Parliament of Georgia.

2. A registrar's decision on fining may be appealed against within 15 days from its announcement or notification in the court where the Law was infringed.

3. Administrative offences shall be examined under legislation force.

The President of Georgia
Eduard Shevardnadze

Tbilisi

November 14, 1996
N 490 – Is.

The Law of Georgia on Registration Fees

Article 1. General Provisions

This Law in accordance with the Article 94 of Georgian Constitution and the Law of Georgia on Base of System of Fees defines types and rates of established fees related to registration determined by the law, as well as rules and terms of their payment.

Article 2. Concept of Registration Fees and Payers

The registration fee is necessary payment to state budget, which is paid by physical persons and legal entities in accordance with the rule and amount determined by the Law, for the purpose of implementing activities envisaged by the Law and/or awarding right to use products and goods as well as for services provided to them by state bodies.

Article 3. Rule for Payment and Transferring Registration Fees to Budget

1. The person applying for registration is obliged to pay registration fee established by this Law.
2. It is inadmissible to encumber person with obligation to pay registration fee not envisaged by the Law.
3. Payment of registration fees is conducted before the registration, through bank or cash payment.
4. Bank payment is made in accordance with the existing rule.
5. Cash payment is made in GEL in banks, with issuance of receipt of established form.
6. Applicant for registration is obliged to submit the receipt confirming payment of registration fee along with the other documents established by the legislature to the registering body.
7. Transferring registration fees to budget is conducted in accordance with the Law of Georgia on Budgetary Systems and Budgetary Authorities

Article 4. Grounds for Refusing Registration

1. Registering body refuses person to register if:

a) submitted documents do not satisfy standards established for relevant registration
b) submitted products and goods do not satisfy standards established for relevant registration

2. Extra amount, paid by the person applying for registration, is returned to the owner within the term of 20 days after the receiving written statement of the registration body.

Article 5. Establishment of Privileges on Payment of Registration Fee

1. Privileges for payment of registration fee (exemption from payment) is established only by this Law
2. Establishment of individual privileges on payment of registration fee is impermissible.

Article 6. The Rule for Resolving Disputable Issues Concerning Registration Fee

1. The dispute concerning the registration fee is resolved by the court according to the rule determined by Georgian legislation.
2. Filing the lawsuit does not free the person from obligation of paying registration fee.

Article 7. Types and Rates of Registration Fees;
State Institutions Having Registration Rights

1. The National Securities Commission in Georgia implements the registration of securities and proposals according to Georgian Law on Securities, the registration fee of which equals to 0.5% of the total value of securities.

2. The corresponding services of the Ministry of Justice implement the following types of registration:

a) Registration of foundation GEL 60
b) Registration of the branch office of the foundation registered in Georgia equals to 50% of fee established for registration of foundation;
c) Registration of international creative union GEL 60
d) Registration of Georgian creative union GEL 50
e) Registration of local creative union GEL 40
f) Registration of branch office of foreign country non-entrepreneurial (non-commercial) legal entity (regardless their organizational-legal form) GEL 40
g) Registration of citizens' political union GEL 50
h) Making changes or amendments to the provision or regulation of foundation, branch office of foundation, creative union, branch office of non-entrepreneurial (non-commercial) legal entity of foreign countries and citizens' political union- 25% of fee determined for registration of the corresponding legal entity.

3. Corresponding services of the Ministry of Internal Affairs conduct the following types of registrations:

a) Issuance of driver's license GEL 28
b) Issuance of international type driver's license GEL 109
c) Issuance of automobile technical passport GEL 26
d) Issuance of one pair of license plates GEL 28
e) Issuance of one pair of transit license plates GEL 18

f) Issuance of license plates of motorcycle and its trailer	GEL 14
g) Issuance of annual technical check proving cards	GEL 1
h) Re-registration of motor vehicle's body	GEL 40
i) Re-registration of cabin or frame of truck	GEL 32
j) Re-registration of van type truck or bus body	GEL 63
k) Re-registration of engine of transportation means	GEL 38
l) Re-registration of trailer of transportation means:	
i.a) Trailer weight of which does not exceeds 720 k	GEL 19
i.b) Trailer weight of which exceeds 720k	GEL 100
m) Transferred in temporary possession:	
m.a) Registration of motor vehicle and its trailer	GEL 3
m.b) Registration of truck and its trailer or semi-trailer	GEL 5
n) Registration of combined hunter gun by issuance of the corresponding certificate:	
n. a) For physical person	GEL 10
n. b) For legal entity	GEL 20
o) Registration of hunter gun and short barrel fire arms (Pistol, revolver) by issuance of appropriate certificate:	
o. a) For physical person	GEL 8
o. b) For legal entity	GEL 16
p) Registration of smooth barrel hunter gun and gas weapons (gas pistol, revolver) by issuance of appropriate certificate:	
p. a) For physical person	GEL 6
p. b) For legal entity	GEL 12
r) Re-registration of the weapon equals to 50% of the fee determined for the initial registration.	
4. The corresponding services of the Ministry of Culture implements registration of cultural values to be brought abroad, the registration fee of which equals to	GEL 15
5. The corresponding services of the Ministry of Agriculture and Food implement the following types of registration:	
a) Registration of transit and export-import of agricultural and food products:	GEL 2
b) Registration of animal forage and forage additives	
b. a) Fodder:	
b. a.a) For birds	GEL 100
b. a.b) For cats	GEL 400
b. a.c) For dogs	GEL 500
b. b) Of preserved premix:	
b. b.a) For cats	GEL 200
b. b.b) For dogs	GEL 400
b. b.c) For all other types	GEL 500
b. b.d) For premix and forage additives	GEL 380
b. b.e) For chewing plaster casts	GEL 190
c) Registration of cosmetics for animals:	
c. a) Shampoo	GEL 300
c. b) Soap	GEL 200
c. c) Powder and others	GEL 128

d) Registration of chemical substances:

d. a)	Of each group of disinfectants and antidotes	GEL 200
d. d)	Of each group of antioxidants and cleaning substances	GEL 500
e)	Registration of agricultural techniques	GEL 25
f)	Removal of agricultural techniques from the list and/or amendments to the technical documents	GEL 3
g)	Issuance of driver's license for tractor	GEL 5
h)	Registration of new pesticides:	
h.a)	Fungicide:	
h.a.a)	I culture group	GEL 3545
h.a.b)	II culture group	GEL 3835
h.b)	Insectoaricide:	
h.b.a)	I culture group	GEL 3570
h.b.b)	II culture group	GEL 3960
h.c)	Herbicide and growth regulators:	
h.c.a)	I culture group	GEL 3145
h.c.b)	II culture group	GEL 3400
h.c)	Nematocide, seed toxin sprays, rodenticide, pheromone	GEL 3225
i)	Registration of new pesticide drugs:	
i.a)	Fungicide:	
i.a.a)	I culture group	GEL 2285
i.a.b)	II culture group	GEL 2455
i.b)	Insectoacaricide:	
i.b.a)	I culture group	GEL 2350
i.b.b)	II culture group	GEL 2560
i.c)	Herbicide and growth regulators:	
i.c.a)	I culture group	GEL 2160
i.c.b)	II culture group	GEL 2255
i.d)	Nematicide, seed toxin spray, rodenticide, pheromone	GEL 2210
j)	Registration of drugs containing pesticide analogies and registered chemicals	GEL 1285

k) Registration of agricultural culture groups for broadening area of using registered pesticides:

k.a)	Fungicide:	
k.a.a)	I culture group	GEL 1335
k.a.b)	II culture group	GEL 1460
k.b)	Insectoakaricide:	
k.b.a)	I culture group	GEL 1390
k.b.b)	II culture group	GEL 1545
k.c)	Herbicide and growth regulators:	
k.c.a)	I culture group	GEL 1290
k.c.b)	II culture group	GEL 1345
k.c)	Nematicide, seed toxic spray, rodenticide, pheromone	GEL 1340

l) Registration of pesticides with limited period (viz. temporarily):

l.a) Fungicide:

l.a.a)	I culture group	GEL 1770
l.a.b)	II culture group	GEL 1920
l.b)	Insectroakaracide:	
l.b.a)	I culture group	GEL 1785
l.b.b)	II culture group	GEL 1980
l.c)	Herbicide and growth regulators:	
l.c.a)	I culture group	GEL 1575
l.c.b)	II culture group	GEL 1700
l.d)	Nematicide, seed toxic sprays, rodenticide, pheromone	GEL 1610
m)	Re-registration of pesticides	GEL 560.

6 Relevant services of the Ministries of Labor, Health and Social Care are implementing the following registrations:

a) Registration of treating means and/or re registration	GEL 1000
b) Registration and/or re-registration of dosages and forms of registered treating means	GEL 500
c) Registration and/or re-registration of paramedical means	GEL 200
d) Registration and/or re-registration of dosages and forms of registered paramedical means	GEL 100
e) Registration and/or re-registration of homeopathic medical means	GEL 400
f) Registration and/or re-registration of forms of registered homeopathic medical means	GEL 100
g) Registration and/or re-registration of diagnostic and radio-pharmaceutical means	GEL 400
h) Registration and/or re-registration of contraceptive means	GEL 400
i) Registration and/or re-registration of medical-prophylactic means	GEL 800
k) Registration and/or re-registration of food additions having therapeutic effect	GEL 600
l) Registration and/or re-registration of dental materials	GEL 600
m) Registration of medical equipment and medical items	GEL 1000
n) Registration of updated models of medical equipment and medical items	GEL 330
o) Re-registration of medical equipment and medical items	GEL 250
p) Registration of medical equipment and medical items meant for one-time usage	GEL 500
q) Registration of modernized models of medical equipment and medical items meant for one-time usage	GEL 170
r) Re-registration of medical equipment and medical items meant for one-time usage	GEL 125
s) Registration of biological drugs:	
s.a) Virus diseases' vaccine for agricultural and domestic animals	GEL 960
s.b) Virus diseases' vaccine for birds	GEL 1200
s.c) Bacterial diseases' vaccine for agricultural and domestic animals	GEL 750
s.d) Bacterial diseases' vaccine for birds	GEL 1000
s.e) Solvents of vaccines	GEL 640
s.f) Each group of prophylactic and phagiglobulin medical	

serum and diagnosticums of virus and bacterial diseases	GEL500
t) Registration of pharmacological drugs:	
t.a) Each group of anti-microbe antibiotics and virus sulphanilamids	GEL 1000
t.b) Medicines for fungous diseases:	
t.b.a) Nitrophurases and phungicides	GEL 1000
t.b.b) All other anti-microbe means	GEL 700
t.b.c) Anti-virus means	GEL 1000
t.b.d) Each group of anti-parasite means (anti-protozole, anti-helminthes and insectoacaricides)	GEL 1000
t. c) Of metabolic drugs:	
t.c.a) Of deratonicites, hormones, ferments, amino-acids of each group	GEL 500
t.c.b) Of vitamins	GEL 320
t.c.c) Of sugars, mineral substances, tissue drugs of each group	GEL 250
t.d) Of food digestion drugs:	
t.d.a) Of mucous adsorbents	GEL 256
t.d.b) Of stomach binding adsorbents, irritants, emetics and belly ruminators of each group	GEL 200
t.e) Of blood vessel system drugs:	
t.e.a) Of glukozides, erithropoesis drugs, blood clotting drugs of each group	GEL 200
t.e.b) Of immunomodulators	GEL 500
t.f) Of respiratory system drugs (respiration irritants, coughing up drugs) of each group	GEL 200
t.g) Of diuretic-genital and mammary gland drugs:	
t.g.a) Of diuretics	GEL 200
t.g.b) Of uterus, anti-mastitis, artificial insemination drugs of each group	GEL 500
t.h) Of central neural system drugs (CNS-suppressing drugs, CNS-irritants) of each group	GEL 200
u) Of introduction of amendments to the registration documents, which is not subject to repeated registration	GEL 50.

7. Common courts of Georgia shall carry out the following types of registration:

a) Registration of enterprise and union (association):	
a.a) Of individual enterprise	GEL 20
a.b) Of general partnership	GEL 60
a.c) Of limited partnership	GEL 80
a.d) Of limited liability company	GEL 160
a.e) Of joint stock company	GEL 360
a.f) Of cooperative	GEL 120
a.g) Of union (association)	GEL 60

b) Registration of branch offices of enterprise and union (association) – 50% of the fee established for registration of enterprise (union) of relevant organizational-legal form;

c) Introduction of amendments or/and additions to the charters of enterprises and unions (associations) and by-laws of their branch offices - 25% of the fee established for registration of enterprise (union) of relevant organizational-legal form;

d) Registration of termination of activities and liquidation of enterprise (union) - 25% of the fee established for its registration;

e) Re-registration of enterprise (union) due to amendments introduced to Georgian legislation - 20% of the fee established for its initial registration;
f) Registration of change of organizational-legal form of enterprise and union (association) – fee established for registration of legal entity of selected organizational-legal form.

8. Apart from the fee determined for any measure necessary for registration of land parcel and related real estate, as well as the rights established regarding them, no other amount of money shall be required to be paid. The State Department of Land Management of Georgia shall carry out the following types of registration:
a) Registration of transfer of object rights on land parcels and related real estate:
a.a) Registration of the right of ownership, right-to-build, hypothec, rent or lease on land parcel and related real estate, which includes conduction of land survey works, preparation of cadastral maps, filling out of registration cards, issuance of registration certificates and other measures, necessary for registration, envisaged by legislation of Georgia GEL 7
a.b) Registration of usufruct or servitude on land parcel and related real estate, as well as registration of restriction of a registered right, which includes conduction of land survey works, preparation of cadastral maps, filling out of registration cards, issuance of registration certificates and other measures, necessary for registration, envisaged by legislation of Georgia GEL 7

a.c) Preparation of approved copies of application, registration certificate and cadastral plan, based on written request by authorized or interested persons GEL 0.5

a.d) Preparation of approved copy of cadastral map, based on written request by authorized or interested persons GEL 2

b) Registration of services provided to authorized or interested persons by the registration agency:
b.a) Preparation and issuance of Extract from the Public Registry or registration certificate on land parcel and related real estate, introduction of changes into the Public Registry or registration certificate on land parcel and related real estate, preparation of small-format map or cadastral plan for the purpose of compiling documents on registration of rights on land parcel and related real estate, etc., conduction of analogous technical works GEL 2
b.b) Preparation and issuance to interested third parties of a reference sheet based on study and analysis of the documents existing in the Public Registry on land parcel and related real estate, and based on systematization of relevant information GEL 7
c) If one land parcel is being created through purchase of two or three spatially connected land parcels, registration of these land parcels as one land parcel, which includes introduction of relevant notes to all the registration cards or their cancellation and filling out a new registration card, as well as conduction of the measures envisaged by Subpoint “a.a” of Subpoint “a” of this Point, based on application by the purchaser GEL 7

d) If one land parcel is being created through purchase of four or more spatially connected land parcels, registration of these land parcels as one land parcel, in accordance with Subpoint "c" of this Point – GEL 7, to which is added GEL 2 for each land parcel above three parcels.

9. Relevant agency of the Ministry of Finance of Georgia shall carry out the following types of registration:

a) Registration of awarding the brand name code and the year of manufacturing letter and one imprint GEL 15

b) Annual registration of one imprint of the brand name GEL 10

Article 8. Establishing Privileges on Payment of Registration Fees

From payment of registration fees shall be exempted:

a) Heirs of I and II class, during registration of trailers and aggregates with license plates, received through inheritance and as a gift, in accordance with notary rule – in the cases envisaged by Subpoints "a" – "m" of Point 3 of Article 7 of this Law;

b) Persons, enterprises, institutions and organizations, to which weapons have been awarded as a prize; Members of Georgian Parliament; Retired Senior and Highest Officer staff of the Ministries of Internal Affairs, State Security and Defense, State Departments of Intelligence and State Frontier Guard, the Special Service of State Security; Employees retired from the system of the Prosecutor's Office, who have been awarded with the special title of the Adviser of Justice or the State Adviser of Justice; Retired judges – in the cases envisaged by Subpoints "n" – "q" of Point 3 of Article 7 of this Law.

Article 9. Final Provisions

1. This Law shall come into force on the 15th day as of its publication.
2. As of the day enactment of this Law shall be considered null and void the following:

a) Point 2 of Article 38 of the Law of Georgia On Medicines and Pharmaceutical Activities;

b) Decree No. 196, of April 11, 1995, of the Cabinet of Ministers of the Republic of Georgia, On Establishing Registration Fees for Registration of Enterprises and Public Unions of Citizens;

c) Georgian President's Order No. 139, of May 19, 1996, On Registration of Automobile Transport Means in Georgia, Production, Issuance and Recording of License Plates, Driving Licenses and Technical Passports;

d) List of the Tariffs of Registration-services at the Traffic Police, Based on Joint Application by the Parties, of the Transport Means, Trailers and Aggregates with License Plates, approved by the Order No. 587, of July 9, 1996, the Order No. 693, of August 19, 1996, and the Order No. 215, of April 30, 1997, of the Ministry of Internal Affairs of Georgia;

e) Georgian President's Decree No. 321, of May 14, 1996, On Registration Fees on Firearms and Gas Weapons;

f) Decree No. 747, of December 6, 1995, of the Cabinet of Ministers of the Republic of Georgia On Establishment, Within the System of the Ministry of Culture, of the Department Regulating Expert Examination, Export-import of Cultural Values;

g) The Price List of Chargeable Services Performed During Export-import by Quality Inspections, Located in Customs Control Zones, Terminals, at Frontier Admittance Points and the Price List of Registration and Expert Examination of Veterinary Drugs, approved by the Order No. 2-424, of December 11, 1997, of the Minister of Agriculture and Food of Georgia;

h) Rules of Registration of Medical Means in Georgia, approved by the Order No. 360, of September 17, 1997, of the Minister of Health Care of Georgia;

i) Law of Georgia On Land Parcel and Related Immovable Property State Registration Fees;

j) All other legislative and administrative Acts, concerning establishment of registration fees.

The President of Georgia Eduard Shevardnadze

Tbilisi
April 10, 2002
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