



Law of Georgia on “Privatization of Agricultural Land”

The problematic issues encountered during the presentation of the Law in Georgian regions and cities:

1. In accordance with article 18 point 1, revenues received from the privatization of agricultural land shall be used to “develop local infrastructure”. However the legislation does not prescribe the rules and procedures for spending the revenue. According to the Law on “Budgeting System of Georgia”, (article 6 point a.iii): the revenue received from the sale of land and intangible assets shall be transferred to the state budget. However how this revenue should be used for the development of the local infrastructure, or who is responsible (central or local governmental body) to implement the activities is not defined.
2. According to articles 12.3 and 16.4, the winner of the auction is required to sign an mortgage agreement with the state in order to acquire the right to purchase the land at 50% or 70% (or at a discount) of the total price. The registration of the mortgage agreement or its abolishment costs 100 GEL, which, in some cases, may be much more than the price of land privatization. **According to citizens**, being able to purchase privatized land at a discount should not be connected with a mortgage agreement. It should not be obligatory. *(Note: this issue has been considered by the Parliament of Georgia and the law has since been amended);*
3. Plans to privatize land and conduct auctions must be submitted to the Territorial Service of the Ministry of Economy of Georgia no later than May 1, 2006 (Article 6.5 of the Statute on Privatization). The legislation does not indicate what will happen after the expiration of the deadline. **According to citizens**, there should not be a deadline at all. The privatization of agricultural lands should be an ongoing process because even after the expiration of the deadline there might be agricultural lands that are not yet privatized. There must be other legal ways means to privatize the remaining state-owned land.
4. According to article 9 point 4 of the Law on Privatization of Agricultural Land, after this law is in force, the government will discontinue renting agricultural land. **According to citizens**, this article must define exceptions (e.g. lands for pasture) that are forbidden to privatize. The exceptions are listed in article 2.2 of the law.
5. The law does not provide a definition for the various land categories, which is very problematic. According to the law, the calculation of the price for land being privatized is made in accordance with the base tariff rate that is stated in the Tax Code of Georgia. There are two types of base tariffs (for good land and for low quality land) – the tariff rate for good land is higher then the tariff rate for low quality land. At present, much of the land intended for privatization is not classified and nobody is aware of the classification of the land. Unfortunately, today we do not have legal instruments to solve this problem and it causes confusion. **According to citizens**, the improvement of the problem will be possible if the price on agricultural lands were same for all categories (good land and low quality land). Otherwise the process of defining the category of the land to be privatized will consume money and time and will hinder the process of privatization.
6. The law does not explain whether or not defaulting on the rent can lead to the abolition of the renting agreement and accordingly bring to an end the privatization of a certain piece of land. **Citizens think** that this issue should be emphasized in the legislation, as inaccuracy in legislation may provide opportunities for corruption;
7. Article 9.4 provides an unclear provision. According to it the renter can purchase only one piece of land and the renting agreement on other pieces of land shall be abolished. **According to citizens**, this decision is unfair. In this case the rights of honest renters will be violated and they will not have any motivation to purchase lands being privatized. Thus the renters should have the right to purchase all lands they are renting.



8. One more issue that was emphasized during the meeting in the regions and cities of Georgia is modification of the category and purpose of land. **According to citizens**, the existing legislation makes the modification of the land category (from agricultural to another category) very expensive for the state. The complex legislation and the corruption existing in the sector hinder the construction of entrepreneurial, cultural, or medical buildings. So the legislation regulating these issues must be simplified and improved. The modification of the land category or its purpose should depend on the owner.