UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT COOPERATIVE AGREEMENT No. 114-A-00-05-00091-00

GEORGIA LAND MARKET DEVELOPMENT ACTIVITY

Report for Quarter 3 for the period of February 1 through April 30, 2006

Submitted by:



ASSOCIATION FOR PROTECTION OF LANDOWNERS RIGHTS

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This **Report for Quarter 3** reviews the status of work under the Cooperative Agreement (CA) from the first through the 3rd months of the Semi-Annual Implementation Plan #2.

The following work has been accomplished on the various responsibilities, activities and targets as specified in the Cooperative Agreement (CA).

1. SUPPORT TO THE NATIONAL PROGRAM FOR AGRICULTURAL LAND PRIVATIZATION

The Parliament of Georgia has adopted the Law on Privatization of State-Owned Agricultural Lands in July, 2005. The law, which calls for the privatization of leased and unused state farm lands, is a key legislative act for the development of Georgia's agricultural sector and land market in general.

The privatization of agricultural lands requires assistance for a streamlined and transparent process. Two categories of farm lands to be privatized are leased lands and land parcels that are not currently used or are used informally. Each category requires different approach in terms of planning and implementing the needed professional assistance.

During this reporting period, APLR has conducted various activities to facilitate privatization of farm lands envisaged by the law.

Coordination with GoG. APLR is in constant coordination with GoG and continues to act as a primary government counterpart on the land issues and farm land privatization in particular. As reported earlier, the pace of land privatization has revealed a number of hindrances related to the bureaucracy of the process that needed to be promptly addressed in order to achieve streamlined and hassle-free procedures.

To address these challenges, APLR has taken the following steps:

APLR has been in close contact with MoED, which is a key GoG counterpart for the project. APLR has stressed a special emphasis on the regional network of MoED agencies, with whom active working relations have been established. Project's legal team acts as a source of legal consultations for MoED regional agencies; regular (monthly) exchange of privatization statistical data has been substantially improved during this reporting period.

APLR is in close collaboration with the State Ministry on Reforms Coordination which ensures mobilization of various public entities in facilitation of privatization process. APLR provides privatization statistics to the State Ministry's office on a monthly basis, which acts as a good tool for strategic decision-making to further streamline the process. APLR management has had two meetings with State Minister to discuss the pace of land privatization and identify current issues and concerns; as a result, elaboration of specific legal initiatives have been agreed to address the streamlining issues. *See Annex A*.

Following key legislative changes affecting farm land privatization (establishment of onewindow system, streamlining of hypothecation procedures, etc) that were described in previous reports, APLR has facilitated further steps to address structural deficiencies that remain in privatization process. These initiatives are described in Section 4 of this document.

Apart from the GoG coordination on a central government level, APLR has started region-byregion leasehold land privatization monitoring to identify common difficulties and hindrances to the process. APLR management has held meetings with the Governor, rayon Gamgebelis and other relevant officials to discuss the pace of privatization and identify any shortcomings that can be resolved through joint cooperation. Such visits that usually last a week have been completed in Kakheti and Samegrelo regions in March and April respectively. As a result of these meetings, excellent working relations have been established with the rayon administrations and information-sharing mechanisms have been adopted.

APLR is closely cooperating with the National Agency of Public Registry. NAPR is a final entity in a privatization chain that issues titles to the new landowners. APLR policy team members meet with NAPR officials at least once a month to discuss ongoing activities, identify and resolve existing problems.

Land privatization has clearly become one of GoG priorities, while Kvemo Kartli region (densely populated with ethnic Azerbaijani population) is high on the agenda. On February 16 the President of Georgia was a guest of a resident of Jandara village (Gardabani rayon, Kvemo Kartli region) to meet with the locals for discussing existing problems and talk about the GoG plans in the region. As discussion on land issues was largely anticipated, APLR has also been invited to attend the meeting. Land issues have dominated the discussion, as locals cited the shortage of farm lands as one of their primary concerns and underlined the importance of their participation in the newly-started land privatization process. Realizing that most of nearby villages are within border-line zone, locals were also concerned about privatization prospects in the area, having the borderline land privatization limitations in mind. The President described borderline privatization liberalization. APLR's Jaba Ebanoidze has commented on the importance of the GoG discussing streamlining of the procedure to obtain government's consent quickly.

APLR organized and participated in the ceremony of transfer of land ownership titles to 50 new landowners who privatized agricultural lands following the enactment of land privatization legislation. Various high-level GoG officials as well as USAID Mission Director and other representatives participated in the award of titles in the borderline village of Vakhtangisi in Kvemo Kartli Region. Hundreds of ethnic Azerbaijanis residing in the village had a unique opportunity to receive land ownership titles after the new legislation has made it possible to privatize lands in borderline zones. The ceremony took place on March 20, 2006 – four other similar but more 'low-key' ceremonies took place later in Kalinino, Jandara, Kutliari and Tamarisi villages in Kvemo Kartli.

On April 12, 2006, APLR attended the GoG session where the status report of farm land privatization has been made by Ministry of Economic Development. The initiatives to support further streamlining of the process have also been discussed (see Section 4).

See Annex A for the information on specific APLR/GoG coordination meetings.

Countrywide Land Privatization Consultations. APLR continued operation of 9 information centers that provides legal consultations to the lessees and others currently or potentially involved in the land privatization process. Information centers are located in Tbilisi, Marneuli, Gurjaani, Kutaisi, Akhaltsikhe, Akhalkalaki, Senaki¹, Batumi, Tetri Tskaro. Information centers in Marneuli and Akhalkalaki are focused on serving the ethnic minorities residing in those regions. These centers, located in the areas densely populated by ethnic minorities are staffed by local personnel with communication skills in locally-spoken languages (Azeri and Armenian).

In February, to ensure the quality and adequacy of consultations rendered, APLR held inhouse training session for its regional staff regarding legal consultation process, public relations, and the specifics of the privatization law, including the updates in the current legislation and sub-legislative acts.

During the reporting period, APLR information centers have recorded a total of 757 consultations rendered:

Tbilisi	212
Marneuli	74
Akhaltsikhe	62
Kutaisi	178
Gurjaani	103
Akhalkalaki	22
Senaki	19
Batumi	48
Tetri Tskaro	39
TOTAL:	757

GIS² Support to NAPR for Leasehold Privatizations. The launch of the leasehold privatization has resulted in increased demand for land survey, boundary correction, and registration. Only a few NAPR regional offices have the capacity and equipment to use the up-to-date integrated cadastral databases that the Agency possesses. APLR continued to support the National Agency of Public Registry and the land survey companies to ensure their mobilization in meeting the intensity of privatization process. Support entailed operation of one central and 4 regional GIS support centers (Bolnisi³, Gurjaani, Kutaisi, Akhaltsikhe) that checked the boundaries of the leased parcels (sketches prepared by surveyor companies hired by lessees) against the integrated cadastral and aerial images to ensure there is no overlap with other parcels in the area.

GIS support centers, which are equipped with modern equipment and digital land cadastre databases, also acted as a source of GIS-related consultations for regional registry offices.

¹ Closed in April due to low efficiency – now region is covered by stronger consultation team from APLR Kutaisi office.

² Abbreviation for *Geographic Information Systems*

³ To be relocated to APLR's new, stronger operation in Marneuli from June, 2006

Leasehold Privatization Achievements. Within the given activity, APLR has strongly supported privatization of leasehold agricultural lands. As per April 30, 2006, 1,309 <u>leased</u> land parcels with the total area of 12,165 hectares have been privatized. See the table below for details⁴.

Region	Privatization application received by MoED (parcels)	MoED Privatization approval (parcels)
Kakheti	550	366
Samegrelo – Zemo Svaneti	123	110
Kvemo Kartli	261	231
Samtskhe Javakheti	197	129
Guria	72	40
Imereti	249	187
Shida Kartli	100	74
Racha-Lechkhumi	29	24
Mtskheta-Mtianeti	164	148
Total	1745	1309

Preparation of Privatization Plans. Land Market Development Activity envisages support to the privatization of state farm lands that are currently not used. APLR will assist 500 Sakrebulos in preparation of privatization plans for the agricultural land parcels to be sold via auctions. Privatization plans are Sakrebulo maps prepared using aerial imagery which identifies the areas that local administrations are proposing to privatize via special auctions. Privatization plans are subject to approval of MoED before privatization process can begin.

Following the survey of all Sakrebulos around the country (focusing on lowland ones, where land has more economic significance) resulting in preparation of a list of 500 Sakrebulos, where USAID assistance were identified as most adequate, APLR started to assist those Sakrebulos in two stages. The first stage includes 317 Sakrebulos and was commenced in February.

As of April 30, privatization plans for 180 Sakrebulos around the country have been finalized and handed over to local Sakrebulos. Another 137 Sakrebulos are planned to be completed by September.

Privatization Auctions in Kvemo Kartli Region. Following the GoG request to expedite assistance to local governments in Kvemo Kartli Region, APLR is near to complete assistance activities in 11 Sakrebulos that started in December, 2005. The scope of assistance in these Sakrebulos includes survey of land parcels, demarcation of parcels on the field, preparation of Privatization Plans (to be approved by MoED). Especially for this region, after approval of Plans, APLR assists local Sakrebulos in organizing special auctions and facilitate titling of the privatized parcels.

Works have been completed in 8 Sakrebulos and are in progress in 3. The following table describes the work in progress in Kvemo Kartli region:

⁴ Difference between number of *submittals* and *approvals* is largely due to the process timing, which takes approximately one month.

Rayon	Sakrebulo	No. of parcels sold	Area of parcels sold in hectares	No. of parcels titled	Area of titled parcels in hectares
Bolnisi	Nakhiduri	36	135	0	0
Bolnisi	Tamarisi	87	374	87	374
Bolnisi	Talaveri	87	330	87	330
Marneuli	Kutliari	45	647	45	647
Marneuli	Algeti	15	250	0	0
Marneuli	Damia	25	165	25	165
Gardabani	Jandara	38	522	38	522
Gardabani	Kalinino	50	410	50	410
Gardabani	Vakhtangisi	41	597	41	597
Gardabani	Kesalo	0	0	0	0
Gardabani	Nazarlo	28	378	28	378
TOTALS		452	3808	401	3423

Land privatization in these 11 Sakrebulos is expected to complete in late May⁵.

Training for Local Governments. Series of trainings were arranged both for the representatives of local self-governance and territorial bodies of the Ministry of Economic Development concerning the land privatization law and related issues. The trainings were also attended by Rayonal Gamgebelis or Gamgebeli deputies, as well as other interested persons. The participants were handed Privatization Guidelines complied by APLR legal experts. The Guidelines are written in popular and simple language and include answers to frequently asked questions around the topic.

There were held 39 trainings altogether in Imereti, Samegrelo, Guria, Samtskhe-Javakheti, and Kakheti regions.

2. SUPPORT TO LAND REGISTRATION AND LAND REFORM IN AJARA

The privatization program under the Law on Privatization of Agricultural Land Remaining in State Ownership, will be implemented in Ajara and elsewhere in Georgia. However, there is an additional need for the completion of a first-stage land reform in Ajara. Due to the political situation, the first stage agricultural land reform in Ajara has been implemented only partly during the 1990s. Land has not been distributed in 42 sakrebulos in the region; therefore, the recent amendments to the legislation allowed extension of timeframe for land reform in Ajara until 2008.

Another complication with Ajara is that due to the political situation, the first stage of agricultural land reform was implemented only partly during the 1990s. The recent legal amendment has extended the deadline for completing the land reform in Ajara until 2008.

⁵ Completed as per date of submission of this report

APLR has initiated the following activities during this reporting period to support the completion of land reform in the region:

Registration of Allocated Agricultural Lands. Agricultural land that had been allocated by land reform in Ajara has not been registered until the political situation changed in the region. Within the Land Market Development Activity, APLR has prepared registration documents for 37,400 parcels - with this effort, registration of agricultural lands that had been previously allocated within the first-stage land reform in early 90s has been completed.

APLR will facilitate the registration of additional 35,000 (estimated) parcels (previously unallocated) that will be allocated in 42 Sakrebulos where land reform has been blocked by the former regional government – see paragraph below. The launch of survey-registration of these parcels is awaiting a GoG approval – see paragraphs below.

Identification and Surveying of the Areas to be Privatized. APLR is committed to provide identification and survey of the land parcels in 42 Sakrebulos where land reform is yet to be implemented. This effort includes two stages – identification of <u>areas</u> to be allocated for land reform and identification and demarcation of <u>parcels</u> to be distributed and titled. The first stage has been completed by December, 2005.

Local Government Coordination. In January, APLR has intensively participated in the work of this commission via Batumi regional office leadership and held a couple of key decision-making consultations with the Governor of the Autonomous Republic.

Allocation of agricultural land areas to be transferred to the Ajara residents in private ownership has been officially approved by the Government of Ajara in February. However, Ajara regional government expressed its position to seek GoG approval to the land reform regulations before starting the process. APLR has been requested by regional government to provide legal expertise to draft all necessary documents needed for GoG approval. As GoG approval had not been a part of the overall process from the start, this additional step has caused delay in the start date for the reform.

As of April 30, all the documents necessary for GoG consent have been prepared with the APLR assistance. The package of documents needs to be approved by the special coordination council in Ajara before it is submitted to GoG.

GoG consent will be a final go-ahead for Ajara land reform, which is opening a new set of assistance activities for APLR, including training of local Sakrebulo officials with the preparation of training materials. This activity will be followed with actual allocation of land parcels on the ground and registration of titles.

3. SURVEY OF LAND PARCELS IN 'WHITE SPOT' AREAS

Several donor-supported projects have been carrying out land survey and registration activities. However, this has resulted in several areas uncovered, namely "white spots". Identification, surveying, and registration of these "white spots" are essential to provide the complete registration of private parcels.

APLR had completed identification and survey of "white spots" in Kakheti, Kvemo Kartli and Imereti regions during the first stage of LMDA (in cooperation with Terra Institute Ltd.).

The work associated with surveying of <u>all</u> identified 'white spot' areas has been completed during the last reporting period and handed to the KfW Land Cadaster and Registration Project that is conducting integration of cadastral data prepared with the support of different donor organizations into a unified system.

The integrated data is planned to be transferred to the NAPR once the agency builds up necessary capacity (including proper personnel and equipment) to receive and maintain the valuable data⁶.

4. POLICY ANALYSIS AND FORMULATION

The GoG has placed high importance on developing land related policies and has turned to international experience for policy advice. APLR is committed to closely cooperate with the Government and NGOs to provide policy advice on land-related issues. In the past, APLR has assisted the GoG and the Parliament to initiate and formulate various legal amendments and acts related to the country's land policy.

Most part of APLR's policy work during was focused on facilitation of agricultural land privatization. The privatization process has revealed the need for key initiatives that would further streamline the process.

Streamlining Privatization Process at NAPR. It has been reported that burdensome requirements established by NAPR for lessees is hindering the process of lease agreements' registration, a necessary prerequisite for privatization. An unclear registration procedure of lease agreements leaves room for imposing lessees with submission of unnecessary documents that hinders the process. The GoG and NAPR acknowledge the need for a change.

APLR has worked with the GoG to establish clear procedures resulting in liberalization of the registration of leaseholds at the NAPR. This would require a special GoG Order that would instruct NAPR to liberalize its requirements. The concept of the ordinance of the three Ministries (MoJ, MoF, MoED) has been welcome by GoG session in April and as of the end of April the three Ministries are working on the details of the final draft which is expected to be approved by late May.

Streamlining Privatization Process at MoED / Tax Agencies. During several weeks, as soon as the privatization process has started, one of the significant burdens for those willing to privatize has been the necessity to approach tax agencies in order to obtain notification on absence of tax liabilities⁷. As tax inspectorate offices operate in regional centers only⁸, collection of the note was associated with travel and queues, hence reducing the efficiency of the process and motivation of the leaseholder.

⁶ There are various donors supporting NAPR capacity-building, KfW being one of the primary ones ⁷ Established by the Administrative Code

⁸ As opposed to MoED offices, which operate in every Rayon.

Last year, APLR policy team has initiated a significant amendment to the Administrative Code, establishing the concept of "one window" at the MoED territorial agencies. According to the proposed amendment, MoED agencies are enabled to request notifications regarding tax liabilities from the Tax Department directly and the latter is required to submit the requested information. However, in many cases tax agencies are unable to provide tax liability notifications as their records are disorganized and past liabilities (or absence of liabilities) are not duly recorded.

APLR made efforts to streamline the tax notification process further, introducing 'silence is consent' principle according to which absence of notification on tax liabilities to the lessee removes related tax liability from them without hindering the privatization process. This principle is going be established by the special GoG Ordinance (ordinance of the three Ministries – see above) exclusively for agricultural land privatization.

Adoption of such system by the GoG would remove one of the most common and severe hindrances in land privatization process.

Elaboration of Internal Regulations for NAPR. New Law on Immovable Property Registration requires an internal regulation of NAPR to map out the process. APLR has teamed up with Georgia Business Climate Reform project and together with NAPR lawyers have set up a working group to draft the regulations for MoJ approval.

Final draft of the joint recommendations by APLR/GBCR has been prepared in March and will be officially released in April.

5. PUBLIC EDUCATION AND AWARENESS

APLR is conducting an intensive public outreach campaign to inform lessees, landowners and other interested parties of the procedures and benefits of land privatization. APLR ensures appropriate delivery of that information to ethnic minorities who do not speak Georgian.

During this reporting period the public education activities have been conducted in the following steps:

APLR Privatization Hotline. Starting from September, APLR has launched privatization hotline which acts as a source of privatization-related information. The operator of the hotline delivers basic information regarding land privatization; for the additional queries operator redirects callers to the corresponding regional office or information center. The frequency of received calls demonstrates the need for this method of outreach and consultation - around 1200 calls have been registered at APLR since September.

Advertising in Media. Journalists from TV and print media were invited to the ceremonies, and the events were covered by the 1st Channel of Georgian Public Broadcasting, Azeri Public TV, AZTV, Space, Leader TV, and also by Azeri language Newspaper Gurjistan – issued in Georgia, Azeri newspaper Ekho, Azeri news agency.

Information on trainings and ceremonies was posted on Association website, as well as disseminated as electronic newsletter through Caucasus Environmental NGO Network - CENN and American Chamber of Commerce – AmCham.

Apart from that APLR Magazine Landowner printed article by Giorgi Natroshvili – Land Privatization is Important for Everyone, explaining the role of privatization in stable rural development. The Q and A section of the magazine offered qualified legal advice in response to readers' queries.

Ads and privatization guidelines were included in January-March issue of the Magazine Landowner. The above information was accompanied by hotline number and contact information of Association Offices throughout Georgia, so that interested people could consult with APLR legal advisers domiciliary.

Advertisements for privatization of agricultural land were published in weekly newspaper Kviris Palitra. The advertisement occupying half the page was placed two times within the period from February, 1-20.

APLR Magazine and Website. APLR continues to publish its quarterly Landowner edition – during the reporting period the magazine focused on farm land privatization and placed numerous ads and consultative information. *Ref. Annex C*.

APLR website (www.aplr.org) has been updated numerously and provides ample information on land privatization issues along with the various APLR activities. In parallel, new APLR website is being designed that will provide comprehensive information about the organization and its activities.

6. OTHER APLR ACTIVITIES AND DONOR COORDINATION

During the reporting period, APLR has established cooperation and linkages with various local and international organizations.

APLR has been awarded another contract from **Urban Institute** in March to continue facilitation of the Community Based Economic Development in Ajara, which is carried out in cooperation with the Ajara MoED. The project embraces entire region and envisages active involvement of society in preparation of the economic development concept. APLR will be working together with MoED on the revisions to already-released draft of the Ajara Economic Development Plan.

APLR and **Georgia Business Climate Reform** Project continue to assist NAPR in drafting the internal regulations for immovable property registration (also see Section 4).

APLR is in the process of finalizing a grant agreement with **OSCE High Commissioner on Minority Issues** that envisages opening up a legal consultation center in Kvemo Kartli.

APLR signed a new extension with **KfW Land Cadastre and Registration Project** according to which the Association will develop and implement a new method of numbering land parcels for 18 additional rayons in Georgia.

APLR continues its active cooperation with **BTC Pipeline Co.**, and is facilitating a procedure of land use hand-back within the pipeline construction corridor.

	Date	Key Participants	Subject	Result
1	February, 2006	Chairman and deputy of NAPR	Streamlining of registration of leased agricultural lands	NAPR committed to instruct its territorial agencies not to require certain documents that are not necessary according to the law
2	February, 2006	President of Georgia, Governor of Kvemo Kartli, borderline village residents	Presentation of land program in Kvemo Kartli region by GoG	Concept of agricultural land privatization explained to the local residents
3	March, 2006	Head of Parliament's Regional Committee	Synchronization of land privatization legislation with proposed draft law on local self-governance	Exchange of information to avoid future conflicts in two major legislative acts
4	March, 2006	Deputy Minister, MoED	Facilitation of leasehold privatization and relevant tax issues	Elaboration of draft amendments to the MoED Implementing Regulations of ag land privatization agreed
5	March, 2006	State Minister on Reforms Coordination, Deputy	Agricultural land privatization pace – issues and concerns	Minister assured support to the tax liberalization for lessees to speed up the process
6	March, 2006	Deputy Minister on Reforms Coordination, Head of Department of MoF	Facilitation of leasehold privatization and relevant tax issues	GoG Ordinance will be drafted, giving tax agencies one month to inform lessees about tax liabilities, otherwise tax liabilities are waived
7	April, 2006	State Minister on Reforms Coordination, Deputy, Deputy Minister of MoED, Representatives of MoF	Facilitation of leasehold privatization and relevant tax issues	MoED asked to propose GoG ordinance concept regarding tax streamlining issues to the government session
8	April, 2005	GOG SESSION	Hindrances to the farm land privatization process	GoG instructed three ministries (MoED, MoF, MoJ) to draft joint ordinance to address the problem
9	April, 2005	Governor of Kakheti	Discussion of factors decreasing the privatization pace	Principles of statistics-sharing, legal counceling, general cooperation agreed.
10	April, 2005	Governor of Samegrelo- ZemoSvaneti	Facilitation of leasehold privatization	Principles of statistics-sharing, legal counceling, general cooperation agreed.

ANNEX B. LIST OF PROJECT RELATED PRESS ARTICLES

Award of Ownership Certificates, AmCham online edition, March 20

Land Privatization is Important for Everyone, APLR Magazine Landowner, January-March Issue

Problems faced by Georgia-based Azeri nationals are being resolved successfully, Azeri Newspaper Echo, April 1

ANNEX C.

