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

GEORGIA LAND MARKET DEVELOPMENT ACTIVITY

Report for the Quarters 1 & 2 for the period of August 4, 2005 through January 31, 2006

Submitted by:



ASSOCIATION FOR PROTECTION OF LANDOWNERS RIGHTS

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This **Report for Quarters 1&2** reviews the status of work under the Cooperative Agreement (CA) from the first through the 6th month of the Semi-Annual Implementation Plan #1.

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.

Initial Consultations with the MoED. Ministry of Economic Development is a key project counterpart for agricultural land privatization issues. APLR has started consultations with MoED soon after the law was enacted. Shortly after the project launch, APLR and USAID representatives discussed coordination and assistance efforts with the first deputy mister, who has been appointed by the Minister as a key contact person. After introduction of the project's goals and plans to the Ministry leadership, APLR has conducted additional meetings with other MoED personnel, including the heads of regional and PR departments, as well as legal department officials.

Initial consultations have resulted in coordinated planning and implementation of several key assistance activities aimed at facilitation of land privatization. These activities include drafting of Implementing Regulations, training for MoED personnel, PR strategy and coordination of project activities with MoED territorial offices.

Elaboration of MoED Implementing Regulations. The Law on Privatization of State-owned Agricultural Land calls for the adoption of Implementing Regulations that includes specific rules for different forms of privatization envisaged. These regulations are key to the privatization process, as the Law only defines general provisions and lacks detailed stipulations that would act as a guide for the public offices involved in the process.

As agreed initially with the MoED, APLR has provided its legal expertise to assist MoED in drafting the Implemented Regulations. APLR policy team has closely cooperated with MoED lawyers and as a result, the following documents have been drafted:

- (1) Implementing Regulations (in a form of Ministerial Decree) on the Rules of Privatization of State-owned Agricultural Land;
- (2) Template of Hypothecation Agreement (allowing land purchase in installment payments for up to 9 years);
- (3) Application form for privatization of leased land;
- (4) Application form for participation in the special auction for state-owned agricultural land (for non-leased parcels at Sakrebulo level);
- (5) Application form for participation in the open auction for state-owned agricultural land (for non-leased parcels not sold on special auction and leased parcel not purchased by lessee) (6) Protocol template of Auction winner;
- (7) Protocol template of purchase of land parcel (final purchase document signed by purchaser and MoED)

The drafts have been sent to the Ministry of Justice (MoJ) for final approval. APLR policy team has worked with MoJ as well and replied to their numerous queries regarding the documents promptly. As a result, the submitted documents have been approved with minor changes on September 27 – this date can be considered as a formal start date for the second stage of agricultural land privatization.

Training of MoED Territorial Offices. After the adoption of the Implementing Regulations, MoED has requested training of its personnel (especially those in territorial offices). APLR policy team has prepared training materials as well as the Guide for Agricultural Land Privatization (www.aplr.org/pub/multiT/guidelines.doc) – both distributed at training sessions. *Ref. Annex A*.

APLR has trained around 150 MoED staff members at the following location
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Date	Location	Regions Represented	Number of attendees
12.09.05	Tbilisi	Shida Kartli, Kvemo Kartli, Kakheti, Mtskheta-Mtianeti	60
13.09.05	Kutaisi	Imereti, Racha-Lechxum-Kvemo Svaneti	30
14.09.05	Poti	Guria, Samegrelo-Zemo Svaneti	30
15.09.05	Borjomi	Samtskhe-Javakheti	15
04.10.05	Batumi	Ajara	15
17.10.05	Tbilisi	All regions (wrap-up session, Q&A)	130

The training sessions covered the issues related to the benefits of the new legislation for the State and land users, legal aspects of the new law, and detailed law implementation procedures described in the sub-legislative acts.

APLR plans the next set of training session to be started in late February, where the specific focus will be the privatization of not-leased agricultural lands. These training will be conducted not only for MoED staff but also for Sakrebulo officials.

Support to Leasholders and Local Public Institutions. Under LMDA, APLR has launched the system to provide necessary guidance and consultations to the National Agency of Public Registry and land leaseholders to ensure their meeting the increased demand for land survey, boundary correction, and registration. APLR set up one central and five regional GIS support centers that is checking the boundaries of the leased parcels (sketches prepared by surveyor companies hired by lessees) against the integrated cadastral and aerial images to ensure that there is no overlap with other parcels in the area. GIS support centers also act as a source of GIS-related consultations for regional Public Registry and MoED offices.

GIS support centers, located in Tbilisi, Bolnisi, Kareli, Kutaisi, Akhaltsikhe and Batumi are equipped with modern computer hardware/software and qualified GIS specialists to assist the MoED/registry offices to minimize errors during the privatization/registration process. *Ref. Annex B.*

As per January 31, 2006, 482 leased land parcels with the total area of 5,205 hectares have been privatized. See the table below for details.

Region	Privatization application received by MoED (parcels)	MoED Privatization approval (parcels)
Kakheti	279	115
Samegrelo – Zemo Svaneti	92	76
Kvemo Kartli	118	71
Samtskhe Javakheti	101	28
Guria	71	35
Imereti	114	58
Shida Kartli	48	32
Racha-Lechkhumi	12	6
Mtskheta-Mtianeti	71	61
Total	906	482

Coordination with GoG. APLR is in constant coordination with GoG and acts as a primary government counterpart on the land issues and farm land privatization in particular. Actual start of land privatization process has revealed a number of complications that needed to be promptly addressed in order to achieve streamlined and hassle-free procedures.

APLR is in close collaboration with the State Ministry on Reforms Coordination which ensures mobilization of various public entities in facilitation of privatization process. Coordination meetings with State Minister have resolved, fully or partially, the problems associated with tax agencies, privatization documentation, and overall bureaucracy. APLR constantly lobbies the land issues to be the priority of the Government.

While the State Minister's Office on Reforms Coordination is helpful in coordination of the efforts of various governmental entities, MoED remains a key GoG counterpart for the Project. APLR is in constant coordination with the Ministry, which provides statistical information and list of common problems on a monthly basis. On October 4, APLR organized the ceremony of transfer of the first land titles to the lessees who had successfully

privatized their land parcels. The ceremony was attended by a number of high-rank GoG officials¹, Deputy Administrator of USAID and other USAID representatives.

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.

Many hinderances to the privatization process are effectively resolved through coordination with GoG, while there are issues that cannot be resolved by government's efforts only but requires legislative changes. APLR has accomplished facilitation to some key legislative changes in this regard that are described in Section 4 of this report. *Ref. Annex D*.

Land Market Development Activity envisages support to the privatization of state farm lands that are currently not used. In parallel to the activities listed above, APLR has initiated the following steps aimed at streamlining the privatization of lands under this category:

Identification of Sakrebulos. APLR will assist 500 Sakrebulos in preparation of privatization plans for the agricultural land parcels to be sold via auctions. During September-November, APLR regional teams have conducted initial survey of all Sakrebulos around the country (focusing on lowland ones, where land has more economic significance) and prepared preliminary list of 500 Sakrebulos. APLR will be assisting those Sakrebulos in two stages – the first stage will include 317 Sakrebulos and will be commenced in February. *Ref. Annex C.*

Preparation of Privatization Plans. After selection of 500 Sakrebulos, APLR has started to work with several of them for actual assistance in preparation of privatization plans and conduction of auctions. In December, APLR has been asked by the GoG to start these works with the Kvemo Kartli region (predominantly occupied by ethnic Azerbaijani population) as the GoG has identified the land issues to be one of the most problematic in that region.

For the initial stage, APLR, in coordination with Kvemo Kartli Regional Administration has identified 11 Sakrebulos in the region. The scope of work 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 2 Sakrebulos and are in progress with 9. The following table describes the work in progress in Kvemo Kartli region:

Rayon	Sakrebulo	No. of parcels sold	Area of parcels sold in hectares	No. of parcels titled	Area of titled parcels in hectares
Bolnisi	Nakhiduri	0	0	0	0
Bolnisi	Tamarisi	0	0	0	0

¹ Minister of Agriculture, State Minister on Reforms Coordination and Deputy Minister of MoED have attended the ceremony.

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Bolnisi	Talaveri	0	0	0	0
Marneuli	Kutliari	0	0	0	0
Marneuli	Algeti	0	0	0	0
Marneuli	Kapanakhchi	0	0	0	0
Gardabani	Jandara	34	458	34	458
Gardabani	Kalinino	17	200	16	180
Gardabani	Vakhtangisi	0	0	0	0
Gardabani	Kesalo	0	0	0	0
Gardabani	Nazarlo	0	0	0	0
TOTALS		51	658	50	638

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

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 as elsewhere in Georgia. However, there is an additional need for the completion of a first-stage land reform in Ajara, as well as the registration of lands that have been distributed during the first-stage land reform but have not yet been registered.

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.

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. APLR (in cooperation with Terra Institute) has facilitated the preparation of registration documents for some 35,000 parcels in Ajara in the past. During this reporting period, APLR has prepared registration documents for additional 37,400 parcels.

With this effort, facilitation to the registration of agricultural lands that had been allocated within the land reform has been completed. APLR will facilitate the registration of additional 35,000 (estimated) parcels that will be allocated in 42 Sakrebulos where land reform has been blocked by the former regional government – see paragraph below.

Local Government Coordination. According to the decision of the Ajara Cabinet of Ministers, a Land Reform Commission has been formed to establish the policy and activities to be implemented to distribute the agricultural land in 42 Ajarian Sakrebulos.

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. APLR will continue to be a part of this Commission until the completion of the activities associated with the land reform. *Ref. Annex D*.

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. Starting from September, APLR's survey and GIS groups have worked with local Sakrebulos to map out land reform areas and deliver the final product in digital form (first stage). These works have been completed by December. Upon the request of Ajara Cebinet of Ministers, APLR has also depicted the forthcoming major infrastructural project route – (Kobuleti-Chakvi highway) which will not be subject to land reform upon local government's decision.

Allocation of agricultural land areas to be transferred to the Ajara residents in private ownership has been officially approved by the Government of Ajara on February 4. APLR had provided technical assistance (mapping/survey work, outreach to communities and Sakrebulo leaders) and actually prepared land distribution plans for this purpose.

Approval of the privatization areas is opening a new set of assistance activities for APLR, including training of local Sakrebulo officials, which will be started in February with the preparation of training materials and Ajara Land Reform Guide. 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.).

During this reporting period, APLR has completed the work associated with surveying of 'white spot' areas.

Identification and Survey of Parcels. APLR has completed this effort with the survey of additional 161,728 parcels in Samegrelo, Guria, and Samtskhe-Javakheti regions. The table below demonstrates the work progress in those regions:

Region	Rayon	Surveyed Parcels in "White
		Spots"
Samegrelo	Chkhorotskhu	4390
Samegrelo	Martvili	3560
Samegrelo	Tsalenjikha	21578
Samegrelo	Zugdidi	26596
Guria	Lanchkhuti	14170
Guria	Ozurgeti	16942
Guria	Chokhatauri	19860
Samtskhe-Javakheti	Adigeni	6887
Samtskhe-Javakheti	Aspindza	1471

Samtskhe-Javakheti	Akhaltsikhe	14849
Samtskhe-Javakheti	Akhalkalaki	5470
Samtskhe-Javakheti	Borjomi	18526
Samtskhe-Javakheti	Ninotsminda	7429
TOTALS		161,728

Coordination with KfW Land Project. KfW is conducting integration of cadastral data prepared with the support of different donor organizations into a unified system. Land parcels surveyed in 'white spots' have been delivered to KfW for their checking purposes and will be returned back to APLR later. APLR is contracted by KfW for the majority of components associated with the integration works.

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.

APLR has assisted the GoG and the Parliament to initiate and formulate various legal amendments and acts related to the country's land policy.

Elaboration of MoED Implementing Regulations. APLR has participated in drafting of the MoED Implementing Regulations for the Law on Privatization of State Owned Agricultural Land (in cooperation with MoED and MoJ – see Section 1 for additional information).

Amendments to the Law on Privatization of State-owned Agrucultural Land. The Law, in its initial form included a legal deficiency that became evident when the process of privatization has started. Leaseholders willing to privatize land had to sign hypothecation agreements even in the cases where they didn't want to use the payment prolongation option.² This deficiency caused additional bureaucracy for the leaseholders, more time and fees spent for the process.

APLR policy team has initiated changes in the law that would correct the picture and presented the draft amendments on the Agrarian Committee session in October. In November, APLR held additional consultations with MPs and different Ministries regarding the issue, which has resulted in putting the amendments to the law in the Parliament's voting agenda. The law has been adopted (following three hearings) on December 28, 2005 and in its current form, represents a significant relief for those lessees who are willing to privatize their land parcels with the option of paying the price up-front.

Amendments to the Administrative Code. The process of privatization has revealed the need of streamlining of the process in different ways. One of the significant burdens for those willing to privatize was the necessity to approach tax agencies in order to obtain

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² The Law provides three payment options to the leaseholder: (1) Payment of 50% of sales price up-front; (2) payment of 70% of sales price during 3 years, and (3) payment of full sales price within 9 years.

notification on absence of tax liabilities³. As tax inspectorate offices operate in regional centers only⁴, collection of the note was associated with travel and queues, hence reducing the efficiency of the process and motivation of the leaseholder.

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 are required to submit the requested information. APLR has introduced the concept of this amendment to the Legal Committee where it was fully endorsed.

Amendments have been adopted on December 27, 2005 (after three hearings) lifting the burden of collection of tax-related documentation from the land users involved in privatization process.

Law on Immovable Property Registration. APLR policy group has participated in every consultation and meeting regarding the Law on Immovable Property Registration providing its expertise on the subject.

The new law is a substantial improvement over the previous one and introduces a number of innovations, including concept on registration of facilities under construction and linear facilities (pipelines, cables etc). It also provides some technical improvements to the registration process, introducing more informative and easy-to-process templates.

The law has been adopted on December 28, 2005.

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.

Working group sessions are held every week and the final draft is expected to be released in March.

Law on Local Self-Government. The Parliament's regional committee has introduced new framework legislation on local self-governance this fall. The certain provisions of the proposed draft were creating a significant problems for agricultural land privatization and was even partially blocking the process already in progress. Namely, the law established State-owned farm lands as the ownership of local Sakrebulos which was in sheer conflict with the privatization law.

APLR policy team has reacted promptly and started immediate consultations with the authors of the draft law, other MPs and the GoG. Following the intensive meetings with influential parliamentarians and government officials, some of key MPs have opposed conflicting provisions of the new draft and the conclusion of the government on the initial draft law was also critical.

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³ Established by the Administrative Code

⁴ As opposed to MoED offices, which operate in every Rayon.

It has been a major achievement to change the provisions of the draft law, leaving the farm lands to be privatized in a state ownership. The draft law in this favorable form has been adopted on December 16, 2005.

Distribution of Land-related Functions among Ministries. APLR has entered an important debate over distribution of land related functions in the Government. A working group has been formed on a deputy minister level with participation of MoED, SMO, MENR, MoAg, and APLR.

The working group has prepared a package of legal amendments that introduce more efficient and logical distribution of functions. Namely, all privatization-related functions as well as change of land categories will be with MoED and NAPR will be responsible to prepare property taxpayer lists. The package also establishes new structure of land categories.

APLR will continue to be a part of this working group until the proposed changes are introduced to the Parliament.

Amendments to the Law on Fees for NAPR Services. Lessees who choose to use the option of prolongation of sales price, have to mortgage their land parcel before the full price is paid. The mortgage deal is subject to registration at NAPR and is associated with fees that are sometimes a significant burden for leaseholders.

APLR initiated amendment to the existing Law on Fees for NAPR Services that would abolish a fee for mortgage registration during agricultural land privatization. The package of amendments have been sent to the GoG for discussion, however, GoG has decided to block the initiative as it would result in decreasing of budgetary income.

Draft Law regarding Dedoplistskaro Land Users. APLR was engaged in intensive consultations with GoG, and MoF in particular, to introduce the amendments to the Tax Code that would release the land users that were damaged by severe drought in 2000.

Majority of the land users could not pay land taxes due to the severe drought in 2000 and therefore large penalties have been accrued. This problem also affects privatization pace in this land-rich rayon as payment of taxes is a necessary prerequisite for MoED to receive privatization application.

The draft law is sent to the MoF for their consideration and approval.

Draft Law on Distribution of State Income. Following the consultations with Agrarian Committee, APLR has elaborated a draft law on distribution of state income generated from land privatization, according to which 50% of the proceeds will be transferred to the local budget (as opposed to the current 0%). Additional cash income would enable local self-governments to better handle the problems on the local level, improve infrastructure, facilities etc.

APLR will continue efforts to facilitate the adoption of this draft during the spring session.

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 Information Centers. To ensure maximal outreach to the regions of Georgia, APLR has established 3 information centers that act as a primary source of land privatization related information. These centers complement to the 6 APLR offices that include the same outreach function. APLR has paid a special attention to the regions primarily resided with ethnic minorities – two new information centers launched in Marneuli and Akhalkalaki are staffed with Azeri/Armenian speaking consultants. *Ref. Annex B*.

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. APLR Public Education Sector launched extensive advertising campaign throughout Georgia to ensure public awareness regarding the new land privatization legislation and benefits it offers. In order to entail reaching the widest layers of the society, it was decided to use all available diversified sources of medium: television, press, and internet.

Initially, TV clips and extensive media plans were elaborated. Full (25 sec.) and short (10 sec.) versions of clips were created in three languages – Georgian, Azeri and Armenian and aired on leading central stations as well as Georgian and bilingual regional channels. Such strategy was designed for providing fruitful and easily comprehensible information for every single citizen of Georgia. From September, 28 to November, 8 APLR privatization ads ran on the different regional and central TV stations. *Ref. Annex E*.

Law on Privatization was translated into Russian and Azeri. The latter was published in newspaper "Curcustan", 5.09.05, while the Russian version was reachable through APLR regional offices. Advertisements for privatization of agricultural land were published in weekly newspaper Kviris Palitra. The advertisement occupying half the page was placed two times to date. Within the period from January, 30 to February, 20 the ad will have been published four times altogether.

Apart from that APLR Magazine Landowner printed Law of Georgia on Privatization of Agricultural Land Existing in State Ownership and abridged version of Land Tax Guide, and the following articles: Law for Stable Agricultural Development, Land Must Be sold as it Needs Rightful Owner, Land Privatization is Important for Everyone. The Q and A section of the magazine offered qualified legal advice in response to readers' queries. Ads and privatization guidelines were included in every issue of the Magazine Landowner starting from September, three times each altogether. 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. *Ref. Annex F.*

APLR website was actively involved in privatization campaign. Information concerning the new Stage of the USAID Land Market Development Project was published on the page. Law of Georgia on Privatization of Agricultural Land Existing in State Ownership, together with Guidelines – How to Conduct Privatization of State Owned Agricultural Land Under Lease, was put up on the web in both Georgian and English languages.

Distribution of Printed Materials. APLR compiled posters and flyers (Georgian, Azeri and Armenian) for distribution around the country. The posters give brief information about privatization opportunities and provide contact information of APLR head and regional offices, while the flyers explain privatization rules and procedures. Altogether 3000 posters (2000 Georgian, 500 Azeri and 500 Armenian) and 12000 flyers (9000 Georgian, 1500 Azeri and 1500 Armenian) were disseminated. *Ref. Annex G.*

APLR has an arrangement with several USAID-funded programs (AgVantage, CHF, GSME) to cross-distribute project-related printed materials in the regions.

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

APLR website (<u>www.aplr.org</u>) has been updated numerously and provides ample information on land privatization issues along with the various APLR 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 contracted by **Urban Institute** in October to launch a new project - Community Based Economic Development in Ajara - be 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 conducted a survey of public opinion regarding the released draft of the Ajara Economic Development Plan and is now working with Ajara MoED to incorporate public, business and NGO opinions in the second draft to be released in February.

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

APLR signed a new contract with **KfW Land Cadastre and Registration Project** according to which the Association will develop and implement a new method of numbering land parcels for entire country.

APLR continues its active cooperation with **BTC Pipeline Co.** and has started the procedure of land use hand-back within the pipeline construction corridor in October.

APLR was named among Successful Top Ten NGOs by **Eurasia Foundation** for the tenth anniversary of the Foundation in Georgia. APLR has received financial support from EF for 3 projects in the past.

Guidelines

for Privatization of Leased Agricultural Lands in State Ownership

> Tbilisi 2005

This Guideline is prepared by the Association of Protection of Landowners' Rights with facilitation of the United States Agency of International Development (USAID).

This Guideline is the first publication of its sort envisioning requirements of the Law on Privatization of State Owned Agricultural Lands and the Provision on the Rule of Privatization of State Owned Agricultural Land. The document also includes the complete information on privatization of State-owned leased agricultural lands.

Association of Protection of Landowners' Rights 2005

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Introduction

This Guideline on Privatization of Leased Agricultural Lands in State Ownership is meant for the persons interested in privatization of State-owned leased agricultural lands, also for the territorial agencies of the Ministry of Economic Development, which are responsible for organization and implementation of the privatization process.

This Guideline is prepared according to the Law of Georgia on Privatization of State Owned Agricultural Lands and the Provision on the Rule of Privatization of State Owned Agricultural Land. The purpose of the Guideline is to explain and make it easy for the readers to understand the procedures related to the privatization of leased State-owned agricultural lands.

The Guideline includes the detailed information on: implementation of privatization of the leased State-owned agricultural lands; agencies implementing the process; rights and obligations of the persons interested in the privatization; limitations and privileges, the price of the privatization lands, deadlines of payments; and registration.

This Guideline is the commentary on the normative acts regulating agricultural land privatization and may not be completely free of some mistakes. We shall welcome and consider the documented comments and proposals from the readers that will only improve and perfect the future editions of the Guideline.

Chapter I. General Provisions

1. What is privatization of State-owned agricultural lands?

Privatization of State owned agricultural lands is the chargeable transfer of the State owned agricultural lands in the private ownership of Georgian citizens or legal persons of private law registered in Georgia.

2. Which agricultural lands qualify for privatization?

The following types of leased and non-leased State owned agricultural lands qualify for the privatization:

- a) Arable;
- b) Lands occupied with perennial plants;
- c) Hayfields.

3. Which agricultural lands do not qualify for privatization?

- 1. The following categories of 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 institutions and legal persons of public law in form of usufruct.

4. What is the format of privatization of agricultural lands?

Privatization of agricultural lands is carried out through: a) direct sale; b) special auctions; c) open auctions.

State-owned leased agricultural land is subject to privatization through the direct sale.

State-owned non-leased agricultural land is subject to privatization through special auctions.

State-owned formerly leased parcels and the parcels that were not privatized at the special auction are subject to privatization through open auctions.

5. What is privatization through direct sales?

Privatization of land parcel through direct sale is one of the privatization forms when the lessee of the State-owned leased agricultural land is given the privileged right to purchase the land leased by him/her.

A necessary condition for direct sale of privatization is a lease agreement processed between the state and lessee and registered in the Public Registry in accordance with the established rule.

In order to participate in direct sale of land, lessee must file a request with the respective territorial office of the Ministry of Economic Development before termination of the lease agreement term. 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. Otherwise, the lessee shall lose his/her privilege right to purchase the land through the direct sale and the land parcel shall be privatized through the open auction.

6. What is privatization through special auctions?

Privatization through the special auction is a form of privatization when the State-owned non-leased agricultural land is privatized through the special auction.

The specialty of the special auction is that only the residents of those cities, villages, dabas and communities where the land parcel to be sold is located, have the right to participate in special auctions.

Participant of the special auction records the purchase price at a specially designated area only once on an application created in advance. The person bidding the highest price gets the right to privatize the land parcel.

7. What is privatization through open auctions?

Privatization through open auction is a form of privatization of agricultural land, when the purchaser of the land is revealed through the open auction. Formerly leased State-owned lands, also the parcels for which the purchasers were not revealed at special auctions shall be privatized through open auctions.

Only the citizens of Georgia and legal persons of private law registered pursuant to the Georgian legislation have the right to participate in the open auctions.

Participant of the open auction makes the public announcement of the land parcel purchase price. The person bidding the highest purchase price has the right to privatize the land parcel.

8. Which State agency is in charge of privatization of agricultural lands?

Ministry of Economic Development of Georgia, with facilitation of respective territorial agencies - State Property Recording and Privatization offices of the Ministry of Economic Development conduct the privatization of State-owned agricultural lands.

9. What are the functions of local self-governance agencies in the process of privatization of agricultural lands?

Duties and responsibilities of local self-governance agencies in the privatization process of non-leased lands include:

- a) Compiling draft privatization plans and their submission with respective territorial agencies of the Ministry of Economic Development for approval;
- b) Formation of privatization commissions to organize and conduct special auctions.
- c) Conducting special auctions with the support of privatization commissions pursuant to the confirmed privatization plans and auction schedules.

10. How are agricultural land parcels located in a 500-meter borderline area privatized?

If a privatization land parcel is located in a 500-meter State borderline area, the Georgian Government makes a decision about privatization of this land parcel.

11. Who is authorized to purchase privatization agricultural parcels?

Only citizens of Georgia and legal persons of private law registered in Georgia pursuant to the current legislation have the rights to purchase agricultural privatization lands:

- a) Only the Georgian residents of those cities, villages, dabas and communities where the land parcel to be sold is located have the rights to purchase agricultural lands through special auctions;
- b) Only the citizens of Georgia and legal persons of private law registered in Georgia pursuant to the current legislation have the rights to purchase leased lands and other agricultural privatization lands through open auctions.

12. Is it prohibited to lease out State-owned agricultural land parcels?

Beginning the effective date of the Law of Georgia on Privatization of State-owned Agricultural Lands, (July 28, 2005) State-owned agricultural lands that are subject to privatization are not issued in lease, except for the cases when the lease procedure was launched and was not finalized prior to the effective date of this Law.

As for the agricultural lands that are not subject to privatization according to this Law, their leases are treated pursuant to the established rule (Presidential Decree #446 of August 2, 1998).

Chapter II. Privatization of Leased State-owned Agricultural Lands

13. How are leased State-owned agricultural lands privatized?

Leased State-owned agricultural lands are privatized through direct sales.

14. What is privatization of leased State-owned agricultural lands through direct sales?

Privatization of State-owned agricultural land through the direct sale means granting of a privileged right to the lessee to purchase the land parcel leased by him/her.

15. What are preconditions required for privatization of leased lands?

A necessary condition for direct sale of the State-owned leased agricultural land is:

- a) a lease agreement processed between the state and lessee and registered in the Public Registry in accordance with the established rule;
- b) that there is no legal dispute over the leased land parcel.

16. What are the opportunities of the lessee if in the moment of the start of privatization his/her lease agreement is not registered in the Public Registry?

The lessee whose lease agreement is not registered in Public Registry prior to the termination of lease agreement term, or in case of a lease agreement the term of which is longer than 10 years, the lessee may register the lease agreement in the Public Registry within 10 years beginning the date of signing the lease agreement. After this the lessee may participate in the privatization process.

17. What is the deadline of using the direct sale right by the lessee to purchase the leased land parcel?

Lessee may use his/her right to participate in the direct sale during privatization of leased land parcel before termination of the lease agreement term or in case of lease agreement the term of which is longer than 10 years – within 10 years beginning the lease agreement date. After the expiration of this term, the lease agreement is terminated according to the rule established by legislation and the parcel becomes subject to privatization through the open auction.

18. Can a lessee purchase a part of a leased land?

It is impossible that a lessee purchases a part of a leased parcel.

19. If a lease area is fragmented in small parcels, is the lessee authorized to purchased a desired parcel and what happens to the remaining parcel(s)?

If the leased land consists of several spatially/geographically independent parcels, lessee has the right to purchase the desired parcel or parcels.

If a lessee privatized only the desired parcel or parcels, the lease agreement for remaining parcels shall terminate and the remaining parcels shall be privatized through open auction.

20. What is the privatization price of leased land parcel?

Privatization price of leased land parcel equals ten times the annual base rate property tax on agricultural land determined by the Tax Code of Georgia effective as of the date of submitting the application for privatization.

For example: If the Tax Code of Georgia establishes annual base rate property tax on agricultural land to be 52 GEL for 1 ha of the quality agricultural land in Gardabani rayon, the lessee will have to pay 250 GEL for each ha of quality agricultural land.

21. What happens if there is other State-owned real estate (such as farming and auxiliary facilities and/or perennials) located on a leased land parcel?

If the State-owned farming facilities and auxiliary premises and/or perennial plants are located on the land parcel, they shall be sold to the lessee together with the leased land parcel and their price as established by the law shall be added to the price of the land parcel.

22. What are the grounds of privatization through direct sale?

The grounds of privatization through the direct sale are the written application forms submitted by the lessee.¹

If a lease agreement covers several land parcels, the lessee submits separate privatization applications for each desired land parcel. Lessee separately attaches relevant documentation or their copies verified in an appropriate manner to each application.

23. What information is contained in the application?

The application should contain the following information:

- a) name of the territorial agency of the Ministry of Economic Development to which the applicant addresses;
- b) Identify and address of the applicant;
- c) Request of the applicant regarding the privatization of leas land parcel;
- d) List of the documents attached to the application.

24. What documents should be enclosed in the application?

Together with the application, the lessee should submit the following documents with the respective territorial agency of the Ministry of Economic Development:

- 1. Lease agreement processed between the State and the lessee together with the attached documents or their notarized copies;
- 2. Document verifying registration of the lease agreement in the Public Registry excerpt from the registry and the cadastre plan attached to the excerpt; If the

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¹ See Attachment #1

- cadastre plan does not exist or if it does not give precise information about the land parcel, the application should have the survey cadastre plan attached to it;
- 3. Copy of the identification document of the applicant:
- 3.1. In case of a physical person copy of the ID or passport;
- 3.2.If a physical person is presented by his/her representative copy of the ID or passport and appropriate identification document of the representative;
- 3.3.In case of legal entity copy of the ID or passport of a representative, document confirming representation and the excerpt of the legal person from the respective registry.
- 3.4.If the lessee is more than one physical and/or legal person copy of the ID or passport of the lessee submitting the application and the document confirming representation.

25. What are the obligations of the territorial agencies of the Ministry of Economic Development when the lessee submits the application?

The territorial agency is not authorized to request any additional document or information other than what is listed above.

The territorial agency is obliged to receive an application whether the attached documents are complete or not.

The territorial agency is obliged to register the application as established by the rule, to put the registration date and number on it and immediately give the applicant the document verifying registration of the application.

The territorial agency is obliged to explain to the applicant his/her the rights and obligations, the rule of consideration of the application, the requirements that the application or a complaint should meet and tell him/her about the mistakes made in the application (if such exist). The applicant should be given the opportunity to become familiar with the documents related to the consideration of the case.

26. What are the obligations of the applicant if he or she does not submit all the documents listed in the application?

The territorial agency checks the application and enclosed documentations within three business days and if it turns out that the applicant failed to submit a required document or information, the agency will immediately give the applicant 10 business days within which the applicant shall submit additional documents or information.

Until submission of the additional documentation or other information, the application time is considered stopped and it shall renew immediately after submission of additional documentation or information by the applicant.

27. What are the consequences of failure by the applicant to submit the additional documents?

If within the 10 business days the applicant does not submit the additional documents or information, the territorial agency makes a decision to leave the application without consideration.

28. What is the procedure that the application of the lessee goes through in the territorial agency?

Within one month after submission of the application by the lessee, the territorial agency considers and investigates all circumstances important for the privatization through direct sale, including the payments of lease rent and land property tax.

The territorial agency investigates whether the lease rent debts exist in the respective agencies, while the land property tax payments are investigated in respective tax agencies.

If the submitted documents are accurate and there are no debts over the land, the territorial agency sends the applicant the written notice about the amount of the funds to be paid and the possibility to pay the full or at least 20% of the full amount.

Otherwise, the territorial agency will issue the act about the refusal to satisfy the application within the same deadlines.

29. In what deadline should the lessee pay the land parcel purchase amount?

One month after receiving a written notice, lessee shall pay the total purchase amount or at lease 20% of the purchase amount of the land parcel and should address the territorial agency with the document verifying payment.

30. What are the consequences of failure by the lessee to pay the full or at least 20% of purchase amount within the set deadlines?

If within one month after receiving the written notice, lessee does not pay the total purchase amount or at lease 20% of the purchase amount, the territorial agency makes a decision to refuse to consider the application.

31. Is the lessee authorized to resubmit the application with the territorial agency in case the application is not satisfied or considered?

If an applicant receives a notice from the territorial agency about refusal to satisfy the application (because of inaccuracies in the documentation) and he/she cures the inaccuracies or if he receives the refusal about the application from the territorial agency, (because of non-payment of purchase amount in time) he/she can reapply before the termination of the lease agreement. In case of the 10-year lease, he/she can reapply for the direct sale within 10 years beginning the lease agreement date.

32. What are the results of completion of requirements by the lessee?

If a lessee pays the full or at least 20% of the purchase amount within one month after receiving the written notice and submits the payment receipt with the territorial agency, the territorial agency shall issue the Protocol conforming purchase of land and other real estate within the three business days.

If a lessee pays at least 20% of the purchase amount together with the protocol confirming land and other estate purchase, the hypothec agreement is made within the three business days.

33. What is a Protocol Confirming of Land and Real Estate Purchase?

Protocol confirming privatization of land and other real estate is issued by the respective territorial agency of the Ministry of Economic Development to the purchaser of the land parcel and this document is the grounds of registration of property rights over the land in the Public Registry.

34. When is the hypothec agreement made?

The hypothec agreement is made only when the lessee intends to pay for the land parcel in installments. The respective territorial agency makes a hypothec agreement with the lessee. The grounds of hypothec agreement is the submission of the receipt of payment of at least 20% of the purchase amount by the lessee with the territorial agency.

35. How is the privatization of several land parcels processed?

If a lessee desires to purchase more than one parcel in his/her lease, the respective territorial agency of the Ministry of the Economic Development issues the Protocol confirming purchase of land and other real estate and makes a hypothec agreement for each land parcel if needed.

36. What are the deadlines of submission of the Protocol Confirming Land and Real Estate Purchase and the hypothec agreement with the Public Registry?

For privatization of leased land parcel, the Protocol confirming purchase of land and other real estate issued by the respective territorial agency of the Ministry of the Economic Development and the hypothec agreement should be submitted with the Public Registry within 30 business days.

In case of late submission of registration documentation, the lessee shall pay the triple amount of registration fee.

37. What are the documents that the lease land purchaser should submit with the Public Registry to register the property and hypothec rights?

To register property and hypothec rights (in case of payment in installments) buyer of land through direct sale shall submit to the 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) Cadastral survey plan(s) of land parcel(s) (in case of amendments to the cadastral map or in case it does not exist at all);
- d) In case of physical person –Copy of the ID or passport;

- e) In case of legal entity document confirming registration in court or the Ministry of Justice;
- f) Document verifying representation (if applicable).

38. Is the applicant paying the registration fee for registration of ownership and hypothec rights over the privatization land parcel?

Pursuant to the Law of Georgia on Privatization of State-owned Agricultural Land registration of ownership right over the privatization land parcel and hypothec in a form of initial registration in public registry is free. Pursuant to the current legislation, initial registration of agricultural land is free of charge.

39. Is it possible to resell the privatized land parcel encumbered with hypothec?

Pursuant to the current legislation the owner may sell the privatized land parcel encumbered with hypothec and the obligations envisioned in a hypothec agreement automatically transfer to the new owner of the land parcel.

40. What is the term of payment of sale amount in installments for the privatized land parcel?

When purchasing the leased land parcel, the owner may pay the purchase amount in installments during 9 years. Each consecutive year the owner shall pay at least 10% of the remaining amount.

41. What may be the consequences of failure to pay annual purchase amount?

If after processing the hypothec agreement the owner does not pay at least 10% of the total purchase amount every consecutive year, the land parcel and other real estate shall be sold pursuant to the rule established by the Georgian legislation.

42. What are the privileges of purchase of leased agricultural lands?

If within one year after processing the hypothec agreement the owner pays 50% of the purchase percent, and 70% of the total amount within 1-3 years, the land parcel and other real estate shall be considered purchased. If the owner submits with the territorial agency the document confirming the payment of the purchase amount, the territorial agency shall issue the written confirmation of completing obligations within 3 business days based on which the hypothec agreement is invalidated in the Public Registry.

43. What are the privileges envisioned in privatization of land parcels to the Church through the direct sale?

State-owned Agricultural land parcels leased by the Church are declared the ownership of the Church pursuant to Item a, Article 4 of the Law of Georgia on Privatization of State-owned Agricultural Lands.

44. How are the lease lands privatized in a 500-meter borderline area?

If the leased land parcel is located in a 500-meter State borderline area, the Government of Georgia makes a decision for each separate case. Until the decision of the Georgian Government, the privatization process is stopped.

The territorial agency of the Ministry of Economic Development is obliged to send respective documentation to the Government of Georgia through the Ministry of Economic Development for each separate case.

The privatization process of the parcel shall be renewed only after the satisfactory decision of the Georgian Government.

Chapter III. Hypothec Agreement to Guarantee the Privatization Price

45. What is a hypothec?

Pursuant to the Civil Code of Georgia, the immovable object may be used (encumbered) to guarantee the obligation so that the creditor gets the privileged right to use the encumbered object as compared to other creditors (hypothec).

In other words, hypothec is the means to guarantee the complete and sufficient meeting of the obligation when the property is used as the means to guarantee the obligation. The specialty of hypothec is that it guarantees that the obligations are met in case if they are violated. Hypothec has the function of carrying out the obligation and is not some sort of additional penalty to the debtor.

Above all, since the hypothec is created after its registration in Public Registry, it is possible to encumber one and the same object with hypothec more than once, while the right of the creditor to use the encumbered object depends on the order of its registration in the Public Registry, that is the date of registration.

46. When is the hypothec agreement made in the process of agricultural land privatization?

Pursuant to the Law of Georgia on Privatization of State-owned Agricultural Land, payment of privatization funds for land parcel and other real estate may be made in full amount or in installments. In case of the latter, the land parcel and other real estate that the buyer intends to purchase is encumbered with hypothec to guarantee the full payment.

47. Who are the parties of the hypothec agreement?

When the agricultural land parcel and other real estate is privatized in installments, the parties of the hypothec are creditor represented by the Property Recording and Privatization territorial agencies of the Ministry of Economic Development and the debtor – the citizen of Georgia or the private legal person registered in Georgia.

Moreover, it should be noted that pursuant to the Law of Georgia on Privatization of State-owned Agricultural Land, it is the land parcel and other real estate of the buyer, as the legal owner, and not the other owners that is encumbered with the hypothec. In other words, the State is not waiting for the fact when the buyer shall register in the Public Registry the ownership right over the land and other real estate purchased by him/her and when he/she shall become the full-right owner of the property.

What is the subject of agreement?

Subject of the agreement is the land and real estate purchased by the buyer encumbered with hypothec to guarantee sufficient and full payment of privatization money for the State-owned agricultural land to the benefit of the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development.

Property Recording and Privatization Territorial Agency of the Ministry of Economic Development has the privileged right to satisfy its demands as compared to other creditors.

49. What is the subject of hypothec?

Subject of hypothec is the agricultural land parcel and other real estate and the premises and objects that are fixed to it and are not meant for temporary use.

Moreover, when the agricultural land parcel is encumbered with hypothec, its limits are increasing and it covers not only the substantial parts of the land parcel but also its products.

50. What liabilities are guaranteed by the subject of hypothec?

If the land and other real estate purchaser fails to pay the privatization price within the set deadlines, the liability will be guaranteed with the subject of hypothec (land parcel and other real estate), that is the land parcel and other real estate shall be sold pursuant to the established rule and the funds gained from this sale shall cover the essential liability—privatization price as well as the fine for failure to carry out the obligation. Also, the sales, court and other costs shall be covered from the gained funds. The remaining funds shall be returned to the owner.

51. What are the duties and obligations of the parties?

Purchaser of the real estate (debtor) has the right to:

- a) freely use and dispose of the hypothec subject (land parcel and other real estate) and its product, including its transfer to another person in use, and its usage as the means of guaranteeing other liabilities (encumber it with hypothec) and/or it sale.
- b) When the liabilities are met or in case of its termination due to other conditions, the purchaser can request the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development to provide a written notice to submit with the Public Registry to invalidate the record made in the registry about the hypothec and/or for some other legal action.
- c) Not reimburse the costs that are not indicated in the agreement.

The person purchasing the immovable object (debtor) is obliged to:

- a) Maintain the hypothec object and its realistic value. Also, protect it from the third person's damage and other claims.
- b) Immediately inform the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development if the hypothec subject is in jeopardy and try to avoid the danger in a minimum time-period.
- c) Pay the established amount within the set terms and amounts.
- d) Immediately submit with the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development the document confirming gradual as well as full completion of liabilities.

<u>Property Recording and Privatization Territorial Agency of the Ministry of Economic Development has the right to:</u>

- a) Check the conditions of the land parcel and other real estate, its maintenance and ask the buyer to take necessary measures to maintain the real value of the hypothec object;
- b) Transfer the liability guaranteed by the hypothec object and the hypothec to another person, on which the buyer of the immovable property shall be immediately informed;
- c) In case of failure by the buyer to complete the responsibilities, request through the court the sale of the hypothec object. The sale will take place according to the established legislation.

<u>Property Recording and Privatization Territorial Agency of the Ministry of Economic Development is obliged to:</u>

- a) In case of giving up the hypothec, transfer to a new creditor this hypothec agreement and provide its, as of a new creditors', registration in the Public Registry, if agreed.
- b) Immediately after the effective date of the agreement, provide the real estate buyer with the information about the place of payment and the bank requisites as well as their updates.

52. What are the rules and terms of payments envisioned in the agreement?

The amount shall not be considered paid until the receipt is submitted with the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development.

Thus, the annual privatization amount should be paid by the buyer annually no later than the effective date of the Protocol confirming the land and other real estate purchase. Cash or non-cash payment should be made at the account indicated by the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development.

The buyer of the real estate has the right the pay the privatization amount annually over 10% of the amount as long as nine years.

If the privatization amount shall not be paid with the set deadlines, the buyer shall have to pay the penalty for non-payment on each unpaid day.

The penalty for nonpayment envisioned in the agreement is paid in the same rule as the annual amount payment. The buyer of the immovable property pays the penalty for nonpayment within 10 days after receiving a complaint from the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development.

53. What are the responsibilities of the parties?

a) Parties of the agreement are responsible to reimburse the damage caused by the failure to implement requirements of the agreement or in case of their insufficient implementation according to the rule set by the current legislation.

The necessary condition of the agreement is timely and sufficient implementation of its requirements, otherwise, the failure to implement the requirements shall be considered violation of responsibilities. If the damage is caused by implementation of the requirement, the party is responsible to reimburse the damage. It is inadmissible that the parties agree in advance not to reimburse the damage caused by noncompliance with the requirements of the agreement.

The damage should be reimbursed not only for the factual property damage but also for the expected incomes and revenues. The income shall be considered as lost if the party has not received it and would receive it if the requirement was sufficiently implemented.

Only the damage that was expected by the party and is the result of the party's action is subject to reimbursement.

If the party receiving a damage also facilitated the cause of the damage, the responsibility to reimburse the damage and the amount of reimbursement depends on the guilt of the party. This rule applies if the fault of the damaged party is his/her inactiveness to avoid and decrease the damage.

b) The owner of the immovable property takes a responsibility to pay 0,01% of the annual amount on each day as the penalty for the late payment.

Penalty for nonpayment is the additional guarantee to implement the obligations that the party has to pay for insufficient implementation of the obligation.

Neither the payment of penalty for nonpayment and nor the reimbursement of the damage exempts the parties from implementing the responsibilities taken under this agreement.

54. How are the complaints made and satisfied by the parties?

The parties of the agreement have to raise complaints regarding the implementation of requirements of this agreement within 10 business days as of creation of the cause of the complaint.

The date of the submission of the complaint is the date of signature on the receipt of the complaint by the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development or the buyer of the immovable property.

The party receiving the complaint is responsible to substantially consider the issue (to fully or partially recognize or reject it) and make a decision to fully or partially take or reject the complaint and inform the other party in writing no later than five business days after receiving the complaint.

The parties fix the raised and recognized complaints within five days after their receipt.

55. When are the parties exempted from the responsibilities?

The parties shall be exempted from their obligations in the conditions of force majeure.

Force majeure situations may be different. It is impossible to create a complete list of such situations, since the situation that is considered force majeure may not be such in future.

Natural disasters: earthquakes, floods, fires, storms, etc. may be considered as force majeure. Social events such as wars, revolutions, rebels, also, State acts that limit some activities and other events that the debtor cannot control may be considered force majeure.

The situation is force majeure if it makes it impossible to implement the requirement. Such are the situations that may not be foreseen in advance. The force majeure is the situation that may not be foreseen not only by the common citizen but also by the agreement party, who requests exemption from the obligation on the grounds of the force majeure. If in the beginning of the agreement the party knew that such situation would come when the requirements would not be possible to implement, he/she will not be exempted from his/her requirements. The party who has the force majeure situation and has not informed the other party in writing about such situation, its possible duration and termination, is not exempted from his/her obligations. The same applies if the notice is late.

If the force majeure affects the deadline of completion of the requirement by the party, the deadline shall be extended as needed depending on the duration of the force majeure situation. Thus, the late completion of the requirement shall not be considered as late completion and respectively, the party shall not be responsible for the failure to complete the obligation if it is caused by the force majeure.

56. How are the disputes regarding the agreement solved?

Any disputes regarding the agreement are settled through negotiation and agreement between the parties. If the dispute cannot be settled through negotiation and agreement, the parties address the court as provided by the Georgian legislation.

57. For what term is the hypothec agreement effective?

Pursuant to the Law of Georgia on Privatization of State-owned Agricultural Land and the Civil Code of Georgia, the hypothec agreement becomes effective beginning the moment of registration of the Protocol on land and real estate purchase and this agreement in Public Registry and it is effective until the liability guaranteed by the hypothec object exists.

58. What are the terms of termination of the hypothec agreement?

The agreement terminates if:

1. <u>The liability guaranteed by the hypothec object is covered</u>, when the privatization amount is fully covered or if the buyer pays 50% of the purchase amount within 1 year or 70% of the purchase amount within 1-3 years, which is considered as the completion of requirements according to the Law of Georgia on Privatization of State-owned Agricultural Land.

ANNEX A. GUIDE FOR AGRICULTURAL LAND PRIVATIZATION

- 2. <u>Under the agreement by the parties</u>, if the parties agree to abandon and terminate the hypothec agreement.
- 3. <u>The hypothec object is destroyed</u>, if the land and other real estate used as the guarantee of hypothec is destroyed.
- 4. <u>The protocol becomes ineffective or invalid</u> when the Protocol confirming purchase of land and other real estate becomes ineffective or invalid or the fact and privatization amount payment of land and other real estate purchase is announced to be invalid.
- 5. <u>If the hypothec creditor becomes the owner of the hypothec object</u> if the State in the name of the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development becomes the owner of the agricultural land and other real estate that it has already privatized to the debtor.
- 6. As the result of failure to cover the liability, the hypothec object is privatized according to the established rule—if in case of failure by the debtor to cover the liability, the creditor requests sale of the land and other real estate used as the guarantee through auction or in some other form. This is the case when the creditor recovers its monies through the realization of the hypothec object.
- 59. How are the amendments and additions made to the agreement?

The agreement may be amended and altered under the written agreement of the parties and in no case by one party only.

The amendments and additions to the agreement become effective only after their registration in the Public Registry. This term is based on the requirement that the effective amended agreement and the agreement itself become effective in the same manner.

All additions and amendments to the agreement that have been agreed and effective automatically become the inseparable part of the agreement.

60. What are the obligations of the purchaser to a new creditor?

If the hypothec obligation goes to a new creditor and the purchaser of the immovable property continues to pay to the benefit of the old creditor, this does not exempt him/her from the obligation to a new creditor to complete his/her obligation even when he/she did not know anything about the transfer to obligations to a new creditor.

This is the requirement of a new Civil Code of Georgia but this does not mean that the land and other real estate purchaser loses his/her right over the paid money, to the contrary, the Civil Code also determines that the buyer who paid to the benefit of the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development by mistake, as to a creditor, has the right to request the money back.

61. Does the failure to use the right granted by the agreement in specific occasions mean general rejection of this right?

ANNEX A. GUIDE FOR AGRICULTURAL LAND PRIVATIZATION

If one of the parties does not use some of the rights of this agreement, this does not mean that the party is rejecting the right completely.

This term means that if the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development does not request from the buyer to pay the penalty for nonpayment for once, this does not mean that the Property Recording and Privatization Territorial Agency of the Ministry of Economic Development rejects its right to request from the buyer the payment of the penalty if this requirement is violated once again.

62. How are the cases not envisioned in the agreement regulated?

The parties use the norms regulated by the Georgian legislation for the cases that are not envisioned in this agreement.

This term is not a necessary term for any agreement. This statement once again declares that the completion of requirements of this agreement is the complex process and envisions gradual actions.

The parties include all substantial terms and conditions and requirements in this agreement but it is impossible and not required to include all current legislative norms in this agreement that the parties are required to comply with when entering the agreement.

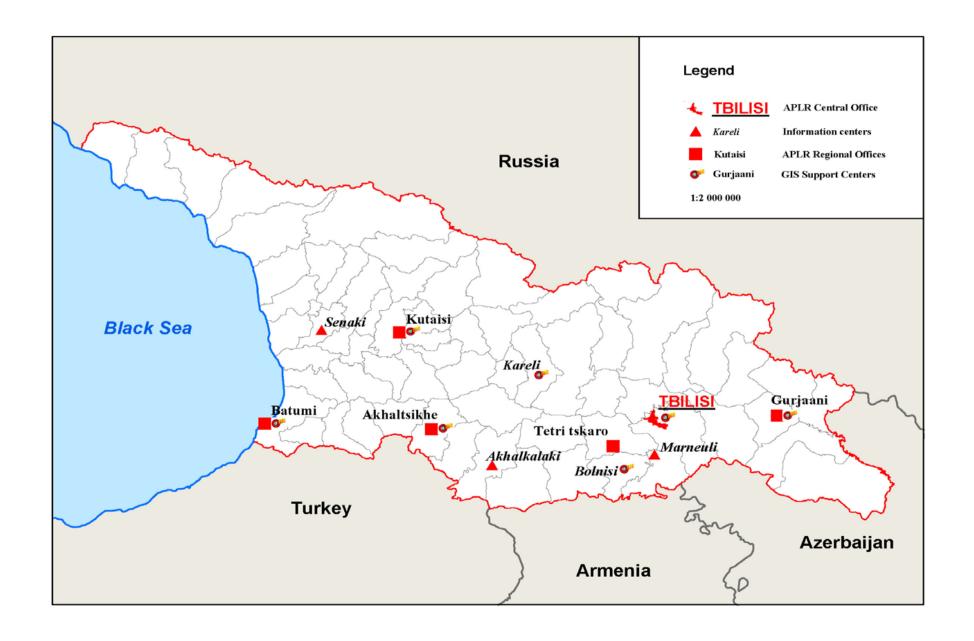
63. Is the agreement considered invalid if some of its parts become invalid?

If a part or some parts of the agreement is declared as invalid, other parts of the agreement or the entire agreement shall not be declared invalid.

64. In how many copies is the agreement made?

The agreement is made only in Georgian in three copies having equal legal power. Each party receives a copy and land and other real estate purchaser submits the third copy with the Public Registry for registration of the hypothec right.

ANNEX B. APLR REGIONAL COVERAGE



#	Region	Rayon	Number of Sakrebulos
1	Imereti	Zestaponi	17
2	Imereti	Sachkhere	12
3	Imereti	Chiatura	13
4	Imereti	Bagdati	8
5	Imereti	Terjola	18
6	Imereti	Tkibuli	8
7	Imereti	Kharagauli	19
8	Imereti	Tskhaltubo	16
9	Imereti	Khoni	11
10	Imereti	Vani	20
11	Imereti	Samtredia	13
12	Kvemo Kartli	Gardabani	20
13	Kvemo Kartli	Marneuli	18
14	Kvemo Kartli	Bolnisi	14
15	Kvemo Kartli	Dmanisi	14
16	Kvemo Kartli	Tetritskharo	20
17	Shida Kartli	Kaspi	13
18	Shida Kartli	Gori	22
19	Samtskhe-Javakheti	Adigeni	12
20	Samtskhe-Javakheti	Akhaltsikhe	13
21	Guria	Lanchkuti	16
	Total		317

ANNEX D. KEY APLR/GOG COORDINATION MEETINGS

	Date	Key Participants	Subject	Result
1	August, 2005	State Minister on Reforms Coordination, First Deputy Minister of MoED	Preparation of Implementing Regulations for Agricultural Land Privatization	MoED has committed to prepare draft regulations in cooperation with APLR to be discussed and approved by GoG
2	September, 2005	First Deputy Minister of MoED, USAID Deputy Mission Director, CTO	Presentation of LMDA activities, initial consultations	Key MoED assistance activities identified, further consultations scheduled
3	September, 2005	First Deputy Minister of MoED	Planning of MoED staff training	Training concept, materials, and locations identified and approved
4	September, 2005	State Minister on Reforms Coordination, First Deputy Minister of MoED	Briefing on LMDA activities – MoED trainings, PR, Implementing Regulations	Draft Implementing Regulations and training schedule approved verbally, various public outreach mechanisms discussed
5	September, 2005	First Deputy Minister of MoED	Public Outreach to leaseholders	Informational printed materials and video clips prepared by APLR approved, advertising schedule approved
6	October, 2005	Deputy Minister of MoED	Ceremony of transfer of land titles to the first three leaseholders who privatized land	Scene setting for the ceremony approved
7	October, 2005	Chairman of NAPR	Registration of leased and privatized lands at NAPR	Elaboration of explanatory instructions for the NAPR regional offices planned
8	November, 2005	State Minister on Reforms Coordination	Progress of land privatization and existing problems involved	Separate meeting planned with participation of different Ministries involved
9	November, 2005	State Minister on Reforms Coordination, First Deputy Minister of MoED, Minister of Agriculture, Deputy Minister of MENR.	Discussion of factors decreasing the privatization pace	All Ministries asked to facilitate the privatization process, avoid unnecessary bureaucracy. Separate meeting planned at PM's office with participation of Governors
10	November, 2005	Prime Minister, Governors	Discussion of factors decreasing the privatization pace	Governors asked to facilitate the privatization process, avoid unnecessary bureaucracy.
11	November, 2005	Head of the Cabinet of Ministers of Ajara, Head of Agrarian Committee of the Ajarian Parliament	Land reform in Ajara, presentation of other APLR activities in the region	Efforts for identification of the ag land areas to be distributed within the land reform in 42 Ajarian Sakrebulos planned
12	December, 2005	State Minister on Reforms Coordination	Progress of land privatization, distribution of land-related functions	Cases of hindering the privatization process by tax authorities discussed, Minister promised to

ANNEX D. KEY APLR/GOG COORDINATION MEETINGS

			among different Ministries	inform MoF/Tax Department
13	December, 2005	GoG Steering Committee	Assistance to the GoG in drafting immovable property registration regulations	APLR and GBCR asked to assist NAPR to facilitate the process
14	December, 2005	State Minister on Reforms Coordination, Head of Parliament's regional committee	Discussion of the draft law on self governance	Issues of harmonization of the draft law with the law on land privatization, specific activities planned
15	December, 2005	MP Giga Bokeria, MP Kote Kublashvili	Discussion of the draft law on self governance	Issues of harmonization of the draft law with the law on land privatization, specific actions planned
16	December, 2005	Governor of Kvemo Kartli	Organizing auctions to sell not- leased ag lands in KK	Specific Sakrebulos identified where APLR supports privatization through auctions
17	January, 2006	Deputy Minister of MENR, MoED and NAPR officials	Distribution of land-related functions among different Ministries	Draft amendments proposed by APLR verbally approved, further actions planned

ANNEX E. CENTRAL/REGIONAL TV ADVERTISING

- Broadcasting Company Rustavi 2 news Program Courier, one or two spots a day, total of 59 spots.
- **Broadcasting Company Imedi** news Program Kronika, weekly TV-journal Droeba and political talk shows Reaktsia and Pirvelebi, one or two spots a day, total of 40 spots.
- Channel I news programs Adre, Mtavari, also during program Sarchevi and film session, one or two spots a day, total of 55 spots.
- **Borjomi Itd (operates in Georgian)** news program Courier and Announcements, one spot per day from November 4 to November 24, total of 16 spots.
- Independent Tele-Radio Company Imperia (operates in Georgian and Armenian) –
 news program Eko, one or two spots per day from October, 31 to December, 1, total of
 26 spots.
- **Tele-Radio Company Parvana (operates in Armenian)** News, one spot per day from October, 31 to December, 1, total of 21 spots.
- Tele-Radio Company ATV12 (operates in Armenian) local News, Mtavari in Armenian and Courier translated, one or two spots per day from October, 1 to December, 1, total of 33 spots.
- Kvemo Kartli Tele-Radio Company Marneuli Branch (operates in Georgian, Azeri and Armenian) News, five spots per day on every Tuesday, from November, 1 to November, 30, total of 23 spots.
- Poti Broadcasting Company Metskhre Talgha (operates in Georgian) news program Kursor, one spot per day from October, 24 to November, 24, total of 19 spots.
- Kutaisi Broadcasting Company Rioni (operates in Georgian) local News and Announcements, one spot per day from October, 24 to November, 25, total of 29 spots.
- Senaki Independent Tele-Radio Company Egrisi (operates in Georgian) local News, one spot per day from October, 31 to December, 1, total of 22 spots.
- Sagarejo Tele-Radio Company Tvali (operates in Georgian and Azeri) local news, two spots every Saturday from October, 29 to November, 25, total of 10 spots.
- Zugdidi Regional TV Company Odishi (operates in Georgian) local news, one spot per day from October, 31 to December, 1, total of 22 spots.

ANNEX F. LIST OF PROJECT RELATED PRESS ARTICLES

- **Georgian's Land** Subject of ownership, "Regionis Droit", 1.08.05;
- First Sales in New Land Privatization, "The Messenger", 4.10.05;
- Land Privatization Launched, "Alia", 4-5.10.05;
- Farmers Received Land Ownership Certificates, "24 Hours", 4.10.05;
- Georgia Loses Lands Every Day, "Rezonansi", 4.10.05;
- Who will Get Lands of Dighomi Village?, "24 Hours", 1.11.05;
- What Kind of Interest Ties Vano Merabishvili with Dighomi Lands, What Sort of Deal Mtskheta Prosecutor's Office Offers to Dighomi Villagers and Who Legalized Land to Dead Souls?, "Kronika", 28.11.05;
- Why is that Merabishvili's NGO Gets on Badri Bitsadze's Nerves?, "Alia", 17-18.01.06

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ახალმიხის ტფისი ძ. ახალმიზმ რუსთამელის ძ. №26 ტელ: 899 58-48-79 8(265) 2-12-23, 893 21-99-35

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ლერმონტომის ძ.№14,
მე-2 სართული, გინა 7
ტელ: 899 50-68-58, 888 222 3-08-26

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AXALKALAKİ OFİSİ

AXALKALAKİ ŞƏHƏRİ NALBANDYAN KÜÇ. №45 TEL: 899 46-96-45







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Գործող վարձակալներին տրվում է հողը գնելու իրավու<mark>նքի կիրարկմա</mark>ն հնարավորություն:

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Սենակիի գրասենյակ

p. Սենակի. Ճավճավաձնի փ. 105, հնո tel: 899 32-05-66



ջութաիսիի գրասենյակ

p. Քութաիսի. Uուրբ Նինոյի փ. 7. htm. tel: 8 (231) 4-14-60, 899 58-70-94, 893 995 432

Բաթումիի գրասենյակ

p. Բաթումի, Լերմոնտովի փ. 14. 2րդ հարկ, բն. 7. հետ. tel: 899 58-48-79 8(265) 2-12-23, 893 21-99-35

Մառևեուլիի գրասենյակ

p. Մառննուլի, Գոգեբաշվիլու փ. 2. հեռ. tel: 877 76-76-44



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ը.Գուրջանի. Ո-ուսթավելու փ. 4. htm. tel: 899 50-68-58, 888 222 3-08-26

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Թեթոիծդարո. **Թամար թագուհու փ. 12. հեռ** tel: 899 53-20-96

Ախալքալաբիի գրասենյակ

ք. Ախալքալաքի, Նալբանդյանի փ. 45. հեռ. tel: 899 46-96-45





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თანოლიდან II წლის განმაგლობის.

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საარის გიცემული მიწის მირდამირი მიციდები ყორმით გიცემული მიწის მირდამირი მიციდები ყორმით მირდაგის განახის მიციდები განახის მიწის მესასიცილ განა ტალაგი გამარციდები სატარიცვების სატარისადები სატაგიტანახიც კოლექსით დანაშერელ განაშერელბის მიწიმე განახიცილი სამერერე დანაშერელბის მიწიმები განახიცის სამერები დანაშერელბის სატატის განახიცის სამერები განახიცის სამერების განახიცის სამერების განახიცის სამერების განახიცის სამერების განახიცის სამერების განახიცის სამერების განახიცის სამერების მიწიმის მიწიმის მიწიმის მიწიმის მიწიმის მიწიმის მიწიმის მიწიმი

GÜRCÜSTANIN İQTİSADİ İNKİŞAF NAZİRLİYİ XƏBƏR VERIR KI, KƏND TƏSƏRRÜFATI TORPAQLARININ ÖZƏLLƏSDİRİLMƏSİ PROSESİ BAŞLADI.

Dövlət mülkiyyətində mövcud olan icarəyə verilmiş kənd təsərrüfatı təyinatlı torpaq sahələri icarəyə bir başa satış formasında satın alma üsullu özəlləşdirməyə tabedir. Özəlləşdirməni həyata keçirən orqan özünün ərazi orqanları şəklində Gürcüstanın İqtisadi İnkişaf Nazirliyidir.

BİR BAŞA SATIŞ FORMASI İLƏ ÖZƏLLƏŞDİRMƏNİN VACİB ŞƏRTLƏRİ VƏ SƏNƏDLƏRİ

a) Torpaq sabəsinin kredit planıma yaxınd kredit ölçü planına əlavə olunan icarə reyestrində qeydə alınımış icarə mügaviləsi.
b) İqtisadi inkişaf Nazirliyinin müvafü ərazi orqanlarına icarı müqaviləsi müddətinin dayandırılması və yaxıdı imzalanıması tarixindən 10 il ərzində ərizə ilə müraciət.

ÖZƏLLƏSDİRMƏYƏ BİR NEÇƏ TƏLƏB ƏLAVƏ OLUNUR

OZZILOSJORNOVO BIR NEGO TOLOB OLAVO OLUNUR,
a) [carsys verifini (prapa shabisri lib hağlı məhkimə davası
nəhayat həll olunanıdək qeyd olunan torpaq xabələri
özüləşdirməyə tabe olunur.
b) [carsodar tərəfindən icarəyə götürülmiş torpaq xabələri
ir hisəcinini özüləşdirilmisəni yə olverilməxildir.
v) Əgər icarəç icarəyə götürüliyi torpaq sabələrindən birini
özüləşdirilməsinə yəd verilməxildir.
qalan torpaqların icarə müqaviləsi bəğv olunur və açıq bərraca
caxarlır.

Icara ilə verilmiş torpaqların birbaşa satış formasında özalləşdirilməsi zamanı, torpağın satış qiyməti, onun vafın alması barədə ərizənin təqdim olunması vaxida Gürcistaman verqi məcəlisi ilə müsyyə onlumnış kənd təsərrifatı təyinatlı torpaqların əmlək verqisinin illik baza dəyərinin il qəz imqlarındadır. Ögər torpaq ashəsində döxlər milliki yətində olan digər əmlak yerləşirəs alınma qiymətinə onun dəyəridə ələvə olunur.

ÖZƏLLƏŞDİRİLMƏNİN ŞƏRTLƏRİ

Qanun torpaq dəyərinin ödənilməsinin güzəyli şərtlərini nəzərdə tutur. Özəlbədirmə məbləğini icarədar birbaşa tam şəkildə sə yaxun məbləğin on az 20 faizini ödədikdən sonra, 9 il ərzində hər ib bitör məbləği hisəsəhisəs, yəni 10 faizini ödəyərək örtə bilər. Bekə öduğu halda qiymətin tam dəsəliməsinəsikə torpaq döstətin səyrinə ipteka ilə yükkəlir. Məbləğin on az 20 faizini ödədiyi halda icarədar qeyd olunan torundu səbləbi ərəclər.

Məhbəğin ən azı 20 faizini ödədiyi halda icarədar qeyd olunan torpağınsahibkarı olur.
Ögər icarəçi ipoteka müqaviləsinin imzalanımasından bir il
örzində ödəniliseka məbəğin 56 faizini, 1-dən 3 ilbədək isə, 70 faizini ödəyərsə, onda torpaq sahəsi və digər dayımmaz əmlək
kamamilə satın alınımıy headə olunur. Məsələ, kənd təsərrifizin
təyinatlı 1 hektarı forpağa əmlak vergisinin illik baza qiyməti
təyinatlı 1 hektarı alınımısı məbəlği 400 pairii təşkil
edir. Ögər icarəçi bir ildə məhbəğin 50 faizini, yəni 225 ları's
yəxud 1-dən 3 ilabək 315 lari ödəyərsə, o zaman tərəq qashəsi
və diqər dayımızı əmləkin dəyəri tamamilə ödənilmiş olur.

TAUPURATE FAMILIALIS SUFFE SEREGUSSAHUE, ՈՐ ՍԿՍՎԵԼ Է ՊԵՏԱԿԱՆ **43814USTSEUU4UT ZN4EPÞ**

APAGETURA AULGENOSTICAL

մար-ջայն Գայն աբորվ ներականանանան Պարգարեր Պայանների եվ գացաթորերն

UN-ABLA MUZULSUAR

m). Վարիանգայությամբ հանահիշանի հույանանգակների հարգով գուստական ընկանգակների հարարան հայանանարակների հարգավ գուստական ընկանգին հարդիան հայանական ընկանգինա անգայացան դեպացան դեպանգակների հարարան հայանական

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გიგობიცის შემობვვებში გაფბი აღნიმშნელთ მინის საგვთოს ქმასავლინე.

"ემ მაღავრე იბათავის სელშვენელების გაფიონმებილის და გადია განადა გადია

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ƏTRAFLI MƏLUMAT ÜÇÜN BİZƏ

EDIN: 38-71-50

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Optiogn արտուկյա պայմաների է նախատեսում հոդի արժելի մուծման ժամանակ։ Հարձավայության անձանակարող սեխականաչ նորման գումաքի կարող է մուծեղ ամորդուգյանը միասանան կամ գումարի անվագն 20 տոկոսի մուծումիչ հետո. մաս առ մաս 9 տարվա միասարում տոսիկան որ գումարի անական 10 տոկոսի մուծմամբ։ Վերջինիս դեպրում փեցել գնման արժելի ամրողջական մարումը, հողահանդավը գրավադրվում է հօգուտ պետության։

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ANNEX H. ISSUES OF LANDOWNER MAGAZINE

