

Law of Georgia
On State Property Privatisation
(As amended to December 24, 1998)

The present Law determines legal, economic, organisational and social principles, as well as the basic terms of privatisation of state property of Georgia and provides for the purchase of property owned by the state, physical or legal persons or their unions. The objective of this Law is to establish proprietary relations promoting to the development of the effective and socially oriented market economy.

Chapter I. General Provisions

Article 1. Definitions used in this Law:

- a. "State property" means enterprises or their subsidiaries which can be separated as independent enterprises, buildings, constructions and facilities being in the property of enterprises liable to liquidation or liquidated by now, or of their subdivisions; other material or non-material assets, state-owned stocks, shares.
- b. "Privatisation" means the purchase of property right to the state-owned property by physical or legal persons or their unions; as a result state losses right to own, use and dispose the privatised property, and state bodies right to manage it.

Article 2. Georgian Legislation on State Property Privatisation

1. The state property privatisation is carried out in Georgia on the basis of the Constitution of Georgia, the Civil Code, the present Law and other legislative acts and by-laws. This Law does not apply to privatisation of land and living space owned by the state.
2. Any physical or legal person, citizen of Georgia or a foreign country, can be the purchaser of state property, if the share capital owned by the State of Georgia or by the institutions of local government (local authority - during transitional period) in his property forms less than 25 per cent.

Article 3. Management Body of State Property Privatisation

1. Management and privatisation of state property is carried out by the Ministry of State Property Management of Georgia.
2. Bodies with corresponding titles are formed in autonomous republics, and their structural subdivisions - in regions and towns.
3. In order to carry out unified privatisation policy in Georgia, the Ministry:
 - a. Is entitled by the state to own, manage and dispose state property;
 - b. In agreement with the corresponding bodies of the Executive and other state bodies, works out and submits to the President of Georgia for approval the draft of the unified privatisation program by separate branches of national economy, taking into consideration their peculiarities and amendments and addenda to be made;

- c. Methodically and organisationally leads and controls privatisation process in the country, reveals illegal decisions and facts in this sphere, takes measures to exclude them.
4. The Ministry of State Property Management and its territorial bodies can act through their representatives (attorneys) or mediators in the process of management or privatisation of the state property.
5. The list of units in the state property liable to privatisation is approved by the Ministry of State Property Management of Georgia under agreement with the Ministry of Economy of Georgia and respective ministries and departments. The list of units in municipal property liable to privatisation is approved by respective governmental bodies in agreement with the Ministry of State Property Management.
6. Privatisation of the state property is carried out by the Ministry of State Property Management, while privatisation of the municipal property - by its territorial body. The Ministry of State Property Management is entitled to transfer its right to privatisation of the state property (except stocks) to its territorial body.
7. The right to the management of state-owned stocks is transferred only in the form of competition.

Article 4. State Property Exempt from Privatisation

The following state property is not liable to privatisation:

- a. Entrails, water resources, territorial waters, continental shelf, special economic and frontier zones, forest reserve, air space, protected or specially used natural territories;
- b. Historic and art monuments approved under established order, state archives of historic and cultural importance, state collection of film, photo and phono materials, state museums, theatres, archives and collections of ministries, departments, scientific-research institutes;
- c. The objects of state reserve system mobilization stores, state reserves, stores of precious metals;
- d. Dispatching and transmission services of the electricity sector, except the part of 35-100 kV power transmit network, the main liability of which is the outward power supply of electricity distribution network and is not used for the electricity (power) system or/and amongst system transit”.
- e. Institutions of the Academy of Sciences of Georgia working in fundamental sciences, state institutes of higher education and affiliated scientific-research institutes, all types of active educational and pre-school education institutions, financed by the state;
- f. Ports and landing piers of national importance, hydraulic engineering constructions, lighthouses and signal lights, water area;
- g. The railway of national importance and connected systems of signaling, telecommunication dispatching, systems of power supply, main road gas pipeline, automobile roads, (in case of non-existence of equally important parallel road), the systems of flight management and the take-off and landing runways;
- h. The staff and reserve property of the Ministry of State Security, the Ministry of Internal Affairs, the Ministry of Defense, Public Prosecution, Court System, the

Department of State Border Protection and the Special Service of the State Defense of Georgia;

- i. The spectrum of frequencies, post communications, technical means of the first channel of TV-radio broadcasting, antenna and feeder installations, technical means of the governmental communications and position of Georgia on the geo-stationary orbit”;
- j. Enterprises producing radioactive materials and materials for military purposes, property of affiliated test-experimental and scientific institutions;
- k. State cemeteries and pantheons;
- l. The major premises of waterway systems, pumping stations of water pipeline, main rad pipelines, main road collectors of sewerage systems and the regional cleansing stations;
- m. State medical institutions of vital importance included in the lists approved according established order;
- n. Premises of state bodies.

Article 5. Social Guarantees and Privileges for Employees

1. With the purpose of protection of interests of the employees working at an enterprise, after submission of a privatisation application (whoever the initiator of privatisation) and prior to the purchase of property, the following is prohibited, unless agreed with the Ministry of State Property Management:
 - a. Reorganisation and liquidation of the enterprise;
 - b. Change of staff list, and decrease and increase of the number of employees;
 - c. Sale, exchange, rent, lease or mortgage of capital assets, cessation or change of any agreement on their use, concluded before;
2. At the moment of transformation of the enterprise into stock company the employees are handed over free of charge 10 % of stocks of the whole capital assets, not exceeding hundred times of minimal wages established in Georgia, calculated for one employee. The mentioned privilege applies to:
 - a. Employees whose main job is at this enterprise;
 - b. Persons who have the right to return to the enterprise, as provided by legislation in force;
 - c. Pensioners who have retired from the enterprise, after having worked there for not less than five years;
 - d. Employees who were dismissed one year prior to the transformation of the enterprise into stock company and are registered as the unemployed.
3. The purchaser of the enterprise is obliged to conclude an agreement with employees within 3 months after registration of the property right. Obligations connected with labour organisation, remuneration and protection must be included in it.
4. The amount of one-time allowance for the employees dismissed on the purchaser's initiative and their further employment is determined in accordance with legislation in force.

Chapter II. Order and Forms of Privatisation

Article 6. Forms of State Property Privatisation

1. Privatisation is carried out by competition, auction, lease-redemption or direct purchase of property.
2. The purpose of sale by competition is to give property right to the purchaser, who bids the best terms to the seller.
3. The purpose of a sale by auction is to give property right to the purchaser, who bids the best price in the process of sale.
4. The purpose of sale by lease-redemption is a temporary and paid ownership and use of the material value for independent economic activity prior to redemption.
5. The purpose of direct sale is the attraction of investments proceeding from the peculiarities of the property for sale and basing on proposed business plan.
6. The Ministry of State Property Management or its territorial body makes a decision on the form of privatisation, while the President of Georgia decides the matter of direct purchase.
7. Regulations on the forms of state property privatisation are approved by the Minister of State Property Management in compliance with legislation in force.

Article 7. Determination of Initial Price of the Property to be Privatised and Payment Order

1. Order of determination of the initial price is approved by the President of Georgia.
2. In the case of privatisation of the state property by competition, auction and lease-redemption, the sale price is established on the competitive basis.
3. Payment can be made at once or by instalments.
4. In the case of privatisation of the state property by competition the purchaser must make final payment within 2 years at least.
5. In the case of privatisation of the state property by auction the purchaser must make final payment not later than within 30 calendar days.
6. In the case of privatisation by lease-redemption the purchaser must make payment not later than within 10 years after registration of a leasing agreement.
7. In the case of direct privatisation the purchaser makes the payment at once, not later than within 30 calendar days after making of a decision.
8. If the property, put up twice to the sale by competition, auction, lease-redemption has not been privatised, its initial price is reduced by 50 per cent.

Article 8. Distribution of Sums Gained from Privatisation

1. The priority trends of the use of sums gained from the state property privatisation:
 - a. Development financing of small business in production;
 - b. Financing of measures to create new jobs in production sphere;
 - c. Defraying of organisational expenses in carrying out privatisation;
 - d. Defraying of unforeseen expenses by the decision of the President of Georgia.
2. The ratio of distribution of sums gained from the state property privatisation is determined by the President of Georgia in compliance with legislation in force.

Article 9. Information on Property to be Privatised by Competition, Auction, Lease-Redemption and Direct Sale

1. Information on state property to be privatised by competition, auction, lease-redemption and direct sale is published in the official publication of the Ministry of State Property Management or in the local press. (In case privatisation is carried out by a local body of the Ministry of State Property Management). However, other information means can be used.
2. Information must be published at least one month prior to the established date of privatisation of the state property by competition, auction, lease-redemption, direct sale.
3. Published data must encompass information on the land area occupied by the unit to be privatised, description of constructions located there, addresses and terms of sale. Additional information is provided to the purchaser in the case of need.

Chapter III. Order of Closing of Transaction

Article 10. Closing of Transaction on Privatisation

1. The respective contract approved with the notary rule is concluded between the buyer and seller, in case of privatization of the State Property (except the selling of shares through an auction) by tender, auction or direct selling and the leasing contract is concluded in case of privatization by leasing with the right of purchase. The respective contract is concluded during the 20 calendar days, from making the decision on direct selling, or/from conducting an auction or tender. The abovementioned term also covers the item 7 of the article 3 of the same law, on agreement to be signed for the transference of the state-owned shares with the right of management.
2. The agreement encompasses data on the seller and the purchaser, name of the property, its composition and price, addresses of parties, obligation of the purchaser on the further use of privatised property.
3. In the case of privatisation by forms listed in point 1 of this Article the property right is transferred to the purchaser after issuance of a certificate of property. The certificate of property is issued within 30 calendar days after the confirmation on full payment is received.
4. The purchaser of the state property becomes a successor of the purchased property.

Article 11. Invalidity of Transaction on Privatisation

1. The disputes connected with privatisation and its invalidation is considered by the Court.
2. Legal and property outcomes of invalidation of privatisation transactions is determined by the legislation of Georgia.
3. Litigation term of the privatized state property regarding the disputable issues is three years.
4. Legal nature of instruments on the privatised state property is controlled by the Chamber of Control of Georgia only under co-ordinated order and with participation

of respective specialists. In exceptional cases control over separate matters in the central and regional bodies of the state property management and in the enterprise itself can be carried out through participation of representatives of the Ministry of State Property Management of Georgia and its territorial body. Besides the order established by Law of Procedure, transfer of information, connected with financial fortune - stocks, share - of a legal or physical person to anyone, except himself, is allowed only under the decision of the Court.

Chapter IV. Transitional Provisions

Article 12. List of Normative Acts to be Approved in Connection with Enactment of this Law

1. The Ministry of State Property Management of Georgia works out and submits for approval to the President of Georgia within 3 months after enactment of this Law:
 - a. A Unified Program of privatisation by sectors of national economy;
 - b. The order of determination of initial price on state property to be privatised.
2. The Ministry of State Property Management approves the following Regulations within 3 months after enactment of this Law:
 - a. On Privatisation of State Property by Competition;
 - b. On Privatisation of State Property by Auction;
 - c. On Privatisation of State Property by Lease-Redemption;
 - d. On Privatisation of State Property by Direct Sale;
 - e. On Transfer by Competition of the Right of Management of State-Owned Stocks.
3. The Government of Georgia and National Bank must prepare and submit for consideration to the Parliament of Georgia proposals on expediency and forms of participation in privatisation of depositors (until April 1, 1993) within 2 months after enactment of this Law.

Chapter V. Final Provisions

Article 13. Enactment of the Law and List of Acts Subject to Implementation

President of Georgia
Eduard Shevardnadze
Tbilisi,
May 30 1997