

(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.

- a. "State property" means enterprises or their subsidiaries which can be separated as independent enterprises, buildings, constructions and facilities into consideration their peculiarities and amendments the unified privatisation program by separate branches.

- 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.

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, every off

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.

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.

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.



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.

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.

President of Georgia  
Eduard Shevardnadze  
Tbilisi,  
May 30 1997