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**Law  
of Georgia  
“On Privatization of  
State-owned Property”**

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**Law of Georgia**  
**On Privatization of State-owned Property**

The present Law determines legal, economic, organizational and social principles of privatization of the state-owned property of Georgia, main conditions of implementation of privatization and ensure the implementation of process of acquisition of the state-owned property by natural and legal persons or their associations. The Law is aimed at ensuring of formation of such ownership relations that will promote the efficient and socially oriented market economy.

**Chapter I**

**General Provisions**

**Article 1. Interpretation of the Used Terms**

Terms used in the Law have the following meaning:

- a) «**State-owned property**» - enterprises, or amalgamations of enterprises which shall be divided into separate enterprises; buildings, premises, equipment, other tangible and non-tangible assets of enterprises or their amalgamations having been liquidated or subject to liquidation; stocks and shares owned by the state.
- b) «**Privatization**» - acquisition of property right on the state-owned property by natural and legal persons or their associations resulted on loss of the state's right to own the privatized property and loss of the authority's right to manage the privatized property.

**Article 2. Georgian Legislation on Privatization of State-owned Property**

1. Privatization of the state-owned property in Georgia shall be carried out on the basis of the Constitution of Georgia, the Civil Code, present Law, other legal and statutory acts. This Law does not regulate privatization of land and state housing funds.
2. Any natural or legal person of Georgia or of a foreign country owning property where the contribution of the Georgia state or of a local self-government body (local administration body in the transitional period) totals less than 25% may be an acquirer of the state-

2. There shall be created appropriate organs of the Ministry of State Property Management in the autonomous republics. and its appropriate structural subdivisions - in regions and cities.
3. For ensuring the execution of single policy of privatization in Georgia the Ministry:
  - a) is the state authorized owner of state property which owns, disposes and manages the state property;
  - b) shall work out, under agreement with the appropriate structures of executive power and other authorities, and present to the President of Georgia for approval the draft project for carrying out privatization according to the separate fields of the national industry with respect to their peculiarities as well as amendments and supplements to be made in it in case of need;
  - c) methodically and organizationally directs and controls the process of privatization in the country, reveals illegal decisions and facts in this sphere, takes measures for eradication of those decisions and facts;
4. When managing and privatizing the state property the Ministry of State Property Management and its territorial organs may act through their representatives (authorized persons) or agents.
5. The list of projects of state-owned property subject to privatization shall be approved by the Ministry of State Property Management under the agreement with the Ministry of Economy of Georgia, other appropriate ministries and departments. The list of projects subject to privatization under the state municipal jurisdiction shall be approved by the appropriate local administration body with consent of the Ministry of State Property Management.
6. Privatization of state-owned property shall be carried out by the Ministry of State Property Management, privatization of property under the state municipal jurisdiction - by its territorial organ. The Ministry of State Property Management may convey the right on privatization of the state-owned property (except shares) to its territorial bodies.
7. The right on disposal of the state-owned shares shall be conveyed in kind of contest only.

#### **Article 4. State Property Not Subject to Privatization**

The following is not subject to privatization:

- a) entrails, water, resources, territorial waters, continental shelf, special economic zone and frontier zone, forest fund, air space, protected natural areas or natural areas for exclusive use;
- b) objects of historical and cultural and artistic value determined under the established order, state archives of historical and cultural importance, the state fund of cinema and photo and audio documents, state museums, theaters, archives and funds of scientific and research institutions of the Georgia ministries (departments);
- c) mobilization stock, government reserve, noble metals reserves;

- d) transmitting and dispatching services of the electric power sector;
- e) institutions of fundamental science in the system of Academy of Sciences of Georgia, state institutes of higher education and subordinated scientific and research institutes financed by the state;
- f) harbors of national significance, hydrotechnical buildings, lighthouses, beacons and water areas;
- g) railway of national significance, main gas pipe-lines, motor-ways (in case of lack of parallel state motor-ways), aircraft flight control systems and runways;
- h) inventory and reserve property of Ministries of Security, Internal Affairs, Defense, procurator's and judicial system;
- i) frequency spectre, state post, public radio- and TV-broadcasting, long-distance and international telecommunications, government communication service and position of Georgia at the fixed orbit;
- j) enterprises processing radioactive materials and materials of military purpose, property of their study and design and scientific institutions;
- k) public cemeteries and pantheons;
- l) single system of public water-supply and sewage;
- m) public medical institutions of vital significance entered in the list approved under the established order;
- n) administration buildings of governmental bodies.

### ***Article 5. Social Guarantees and Privileges for Employees***

1. In order to protect interests of employees of enterprise subject to privatization the

- d) those persons who were dismissed on grounds of redundancy 1 year prior to the reorganization of this enterprise into the joint-stock company and registered as unemployed;

4. The buyer shall pay the final sum for the state property privatized by the competition not later than in two years.
5. The buyer shall pay the final sum for the state property privatized by the auction not later than within 30 calendar days.
6. The buyer shall pay the amount for property privatized in kind of lease with redemption not later than within 10 years after the execution of lease contract.
7. The buyer shall pay the amount for the state  
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## **Chapter IV**

### **Transitional Provisions**

#### **Article 12. Statutory Acts to be Passed in Connection with the Effect of the Law**

1. Within 3 months following the effective date of this Law the Ministry of State Property Management shall work out and submit to the President of Georgia for approval the following:
  - a) draft of a single plan for privatization implementation with respect to the separate branches of national economy;
  - b) rules of the determination of the initial price of the state property subject to privatization.
2. Within 2 months following the effective date of this Law the Minister of State Property Management of Georgia shall approve the following statutes:
  - a) on state property privatization by competition;
  - b) on state property privatization by auction;
  - c) on state property privatization by direct sale;
  - d) on conveyance of the right to manage the state-owned stocks by competition.
3. Within 2 months following the effective date of this Law the government and National Bank of Georgia shall work out and present to the Parliament of Georgia for consideration the proposals on the expedience and machinery of participation of deposit-holders in the privatization process (till April 1, 1993).

## **Chapter V**

### **Conclusive Provisions**

#### **Article 13. Effective Date and List of Acts Subject to Nullification**

1. This Law shall be effective from the moment of promulgation.
2. To consider the following null and void from the effective date of this Law:
  - a) Resolution N 342-Is concerning the putting into effect of the Law of Republic of Georgia «On Privatization of State-owned Enterprises in the Republic of Georgia» of the Supreme Council of the Republic of Georgia of 09.08.1991 («Bulletin of the Supreme Council of the Republic of Georgia, 1991, N 8, Art. 583»);
  - b) Law of the Republic of Georgia «On Privatization of State-owned Enterprises in the Republic of Georgia» of the Supreme Council of the Republic of Georgia of 09.08.1991 («Bulletin of the Supreme Council of the Republic of Georgia, 1991, N 8, Art. 583»);
  - c) Resolution N 209-Is «Concerning Delegation of Rights on Approval of the List of Objects



- d) Decree N 238 «Concerning Prolongation of the Term of Effectiveness and Partial Changes of the State Program for Privatization of State-owned Enterprises in the Republic of Georgia» of the Head of State of Georgia of 26.11.1993;
- e) Edict N 184 «Concerning Urgent Measures for Improvement of the Process of Privatization of State Enterprises of the Republic of Georgia» of the Head of State of Georgia of 11.04.1994;
- f) Edict N 120 «Concerning Some Issues of Control over the Process of Privatization of the State Property in Regions of the Republic of Georgia» of the Head of State of Georgia of 22.06.1994;
- g) Decree N 278 «Concerning Additional Measures for Privatization of Construction in Progress» of the Head of State of Georgia of 26.08.1994;
- h) Decree N 13 «Concerning Amendments and Supplements in the State Enterprises of Republic of Georgia for 1995» of the Head of State of Georgia of 17.01.1995;
- i) Decree N 63 «Concerning Organizational and Economic Measures for Improvement of Implementation of Mass Privatization» of the Head of State of Georgia of 13.03.1995;
- j) Decree N 228 «Concerning Establishment of the State Holding Company «SAKNAFTOPRODUKTEBI» of the Head of State of Georgia of 11.06.1995;
- k) Edict N 88 «Concerning Measures for Improvement of Mass Privatization and Securing Participation of Georgia Citizens in It» of the head of State of Georgia of 21.06.1995;
- l) Decree N 250 «Concerning Speeding Up of Privatization of Floor **Spells** and Control of Management of Realty in Kutaisi» of the Head of State of Georgia of 21.06.1995;
- m) Edict N 209 «Concerning Additional Measures for Further Speeding up of the Process of Privatization of State-owned Enterprises» of the Head of State of Georgia of 27.09.1994;

- t) Resolution N 634 «Concerning Approval Statute on Creation and Principles of Activity of Holding Companies (Holdings)» of the Cabinet of Ministers of Republic of Georgia of 20.08.1993;
- u) Resolution N 725 «Regulating the Process of Privatization of Objects Located in Buildings Being on Balance of Housing & Maintenance Organizations in the Rustavi Town» of the Cabinet of Ministers of Republic of Georgia of 10.10.1994;
- v) Resolution N 809 «On Prolongation and Partial Change of the State Program of Privatization of State Enterprises of the Republic of Georgia» of the Cabinet of Ministers of Republic of Georgia of 17.11.1993;
- w) Resolution N 916 «On Making Amendments and Supplements in the State Program for Privatization of State-owned Enterprises of the Republic of Georgia for 1995» of the Cabinet of Ministers of Republic of Georgia of 31.12.1994;
- x) Resolution N 14 «On Measures for Introduction of Privatization Card System in the Republic of Georgia» of the Cabinet of Ministers of the Republic of Georgia of 18.01.1995;