



Privatization of Agricultural Land in Georgia

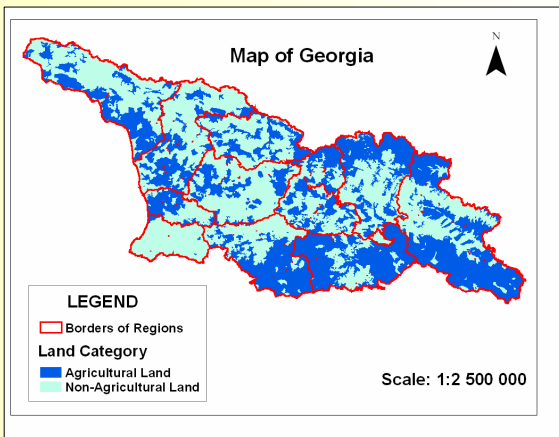
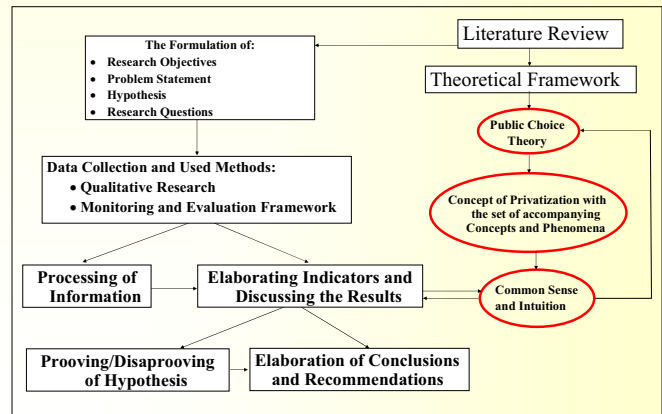
- Obstacles, Impacts, Options for Improvement -



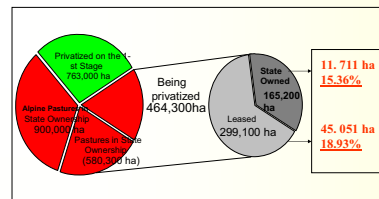
Introduction

Nearly 15 years after the fall of communism and five years after the legislation framework on private ownership on land was first proposed, thousands of Georgian farmers are on the brink of getting something new: ownership of their land through the second round of privatization process.

As part of a reform program launched in autumn 2005, over 360,000 hectares of agricultural land will be sold into private ownership. By transferring ownership to the people most familiar with the land, the government contends, that they are strengthening the nation's agriculture - a sector that makes the single largest contribution to Georgia's GDP (17,8%) (Ministry of Statistics of Georgia 2005). But having an experience of somewhat spontaneous first round of privatization full of cases of corruption, inequality, poor legislative basis and guarantees etc. there are numbers of obstacles to be faced questioning the fairness and transparency of the current privatization process (Hedges 2005).



Key Findings



Positive Frame Conditions:

- Process is as easy as possible to support a high involvement from the side of population
- Already existing strata of large-scale farmers greet the process accepting its benefits
- Government makes an efficient use of land resources by giving away the land, which it is not able to manage any more, moreover, it gains profit out of the process
- Already existing, slowly, but still developing land market
- Banking Institutes now supporting to give out credits via mortgaging the rural land (Agribusiness Bank Program: "Loans for micro-business and farming", Credit Unions...)
- Dominating, powerful physical and Legal persons willing to Invest and develop large-scale farming
- Legislation, allowing foreign investors be attracted in purchasing land for further development and investment (formerly was not allowed)
- Governmental will to support parallel activities (building trust in population is still an issue)
- Large, nation-wide, well-organized public awareness campaign

Obstacles and Preconditions:

- Data
- Institutional Structures: Data Exchange, Bureaucracy, confirmation from different instances
- Time frame
- Lost faith of People
- Legislation is not detailed enough
- Monopolization of powerful clans still supported by parliamentarians and politicians
- Dispute cases take longer period in Courts
- Ill professionalism of privatization committee members and staff in general
- Overall political situation

Methodology, Hypothesis and Theoretical Framework

The objective of this thesis is to evaluate the current policy of the privatization process, focusing on the second round activities of the privatization of an agricultural land, its transparency, results and preliminary impact on strengthening agricultural sector through finally establishing the concept of real ownership on land.

Hypothesis

1. The validity of data to be used for preparation of privatization plans is not checked by relevant local authority (local agency of public register), therefore privatization plans are not always accurate and consistent.
2. Special and open auctions as well as direct sale processes are not conducted in a just, transparent manner and are not based on international standards.
3. No parallel measures are provided from government to support large scale farming. Therefore, owners are pushed to use the asset only as collateral.

Methodology

- Qualitative Approach
- Monitoring Framework

Theoretical Framework

- Public Choice
- Privatization and accompanying Phenomena
- Common Sense and Intuition

Conclusions and Recommendations

- Decentralization of State Institutions should be carried out,
- Law on Private Ownership of Agricultural Land should be refined,
- The policy of management of a land still remaining under the state ownership should be looked at,
- Different irregularities should be stemmed out by means of proper by-laws
- Ill professionalism should be mended as the staff of the Ministry of Economic Development of Georgia should be trained,
- Lost faith of Georgian People should be reestablished.

"We trust our own experience"... "we are a special case, we develop our own approach, suitable for Georgia..."