

Land Consolidation in the framework of Land Market Development in Georgia

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Introduction

Land consolidation process in Georgia continues to be spontaneous in the environment of land market development. Therefore it still stays as an unsolved problem.

Although maxim area allocated for a household privatization was 1.25 ha, the recipients of land were divided in three category: the first category is the household that lives in rural area and is engaged in agriculture, the second category is the household that lives in rural area and is engaged in non-agricultural activities (e.g. teachers, doctors, etc) and the third category is the household that lives in urban areas.

The first category was authorized to get 1.25 ha, the second 0.75 and the third 0.25ha. It has to be underlined that allocated land parcels were divided into several plots.

Eventually, after the land reform 1 million household, which represents 4 million population of Georgia, got its share of the land.

Land Market Status

Land market in Georgia is still weak and fragile, however it's being developed. Only 10% of land transactions fall on agricultural lands. This is the result of general economic conditions as well as specific causes:

Existing agricultural finance/credit system is not favorable. Mainly short-term credits are accessible and only with high interest rates (minimum 18% annual). Agricultural lands and houses owned by the farmers are not usually collateralized by banks due its low value. Agriculture finance institutions as well as agricultural insurance are non-existent. Real estate and brokerage companies are quite well developed in urban areas. There are some transactions and deals made for rural lands but mainly for lands around Tbilisi that are used for summer houses and well developed resorts.

There are few cases of joint ownerships and farmer cooperatives, mostly in grape growing that requires shared work. Nevertheless, farmers' associations and farmers unions which are probably the best approach for solving the above mentioned problem is still not well developed.

The number of foreign investments in Georgia has significantly increased lately. The investors are buying small parcels of lands from different farmers, that eventually leads to land consolidation. For example, Israeli investors have bought the land in Tabakhmela village from 32 farmers and each farmer owned 0.5 ha. Similar process goes on in different regions of Georgia.

Pilot Projects

There have been number of small, successful pilot projects in Georgia that were implemented by IRDC, KfW and BP but they have not done the main thing – created strategy for fighting land fragmentation. The strategy would sustain land consolidation in the country.

Legal Changes

Land surveying was poorly done during the land reform. When the land surveying data was transferred into electronic database serious problems arose. Actually owned lands were more than the individuals were given according to the papers as a result of privatization. Based on existing legislation, Registry offices refused registration of such cases, which continues to hinder the development of land market in Georgia.

In 2007, Georgian Parliament passed a law on “Acknowledging ownership rights on the land owned by physical and legal entities.” Based on this law the President passed a decree N 525 on September 15, 2007 - “ rules and regulations of acknowledging land ownership”.

Based on the law and decree, the lands subject to acknowledgment were: state owned agricultural and non-agricultural lands possessed in good faith, lands under use and lands seized/illegally owned.

Lands possessed in good faith were transferred into private ownership free of charge. The price of 1 sq.m. of land in use was defined as annual property tax on land multiplied by 5. The price of illegally seized land is defined as annual property tax on land multiplied by 10.

In 2007 administrative border of Tbilisi city was extended by 22 villages that significantly increased the City's agricultural lands. From the beginning of 2008 till the end of May, Tbilisi Municipality received 19,000 applications for land legalization.

Conclusion

It's been recommended that international organizations with relevant experience (like FAO) launch a pilot project in land consolidation strategy development;

Land market development is a significant factor for land consolidation, however it's not enough;

Legal motivation for land consolidation should take place;

Land consolidation should be in line with Government priorities and strategy.