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The primary author for the report was Leonard Rolfes Jr., a property rights consultant to the World Bank. The project had three Team Task Leaders: Joanna de Berry, Sandra Kdolsky and Ifeta Smajic. During the period of report production, the Sector Managers were Elisabeth Huybens and Nina Bhatt. The Country Director for South Caucasus was Mercy Miyang Tembon.

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Executive Summary

Georgia has some 270,000 internally displaced persons (IDPs) from the regions of Abkhazia and South Ossetia. These regions are not under the control of the national government. These IDPs have received a significant amount of housing assistance, but many of them still struggle to make a living. A 2013 World Bank report identified improving IDP access to farmland as a potentially feasible and replicable livelihood activity. Since land leasing does not require much up-front capital, is a relatively simple transaction to execute, and can expand the pool of land available for use, land leasing seemed like a promising approach to providing IDPs with access to farmland and thus improved livelihoods.

This report examines the farmland leasing question in detail, and proposes a program to pilot-test the concept for IDPs. The report identifies the main government institutions that are likely to have a role to play in a land leasing program (see Section II). The report goes on to examine a number of issues that have to be addressed in the design of a land-leasing program for IDPs (Section III). The key issues are:

- A land leasing program should be open for participation by rural households generally, not just IDPs. A program for both groups would increase support for it;
- The program should be implemented at the community level, with 2-3 adjacent communities working together. Support from the municipality will be essential;
- The biggest challenge to program success is going to be finding land for leasing. Effective public outreach will be important for meeting this challenge;
- Most agricultural land is not registered, which will make it harder to identify owners and could lead to lease enforcement problems if conflicts arise. Parties to leases could either simply acknowledge these risks when signing leases, or the land could be registered before lease signature; and
- The program should require that land leases be concluded in writing. Registration of leases should be voluntary.

The report contains a proposed design of the land leasing pilot program (Section IV), and key components are as follows:

- Communities need to be selected for program participation. To be selected they should demonstrate affirmative interest in participation, and have IDPs living on their territory;
- Land lease training should be provided to land owners as well as those interested in leasing land for farming;
- Land plots available for leasing need to be identified. Methods for doing this include direct outreach to land owners and developing a land market information service;
- Parties interested in signing a lease agreement with one another need to negotiate and sign the agreement. Annex 3 contains a model agreement; and
- The results from the land-leasing program should be monitored so that a solid understanding is gained about whether the program increases the amount of land leasing that occurs, and whether IDP incomes increase.
In June of 2015 a meeting was convened in Tbilisi to discuss the land leasing pilot program. Meeting participants included representatives from the most relevant state agencies, including the Ministry of Agriculture, the National Agency for State Property, and the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia (MRA). After discussing the program, each meeting participant expressed support for moving the program forward, namely, to carry out the land leasing pilot program to see if the concept is workable and delivers benefits for program participants.

In December 2015, an intra-governmental Land Leasing Advisory Committee was established to facilitate the pilot implementation and ensure its coordination with other government led projects with overlapping objectives. The Advisory Committee consists of representatives from relevant Ministries (MRA, Ministry of Agriculture & Regional Development and Infrastructure) and State Agencies (National Agency for State Property and National Agency of the Public Registry).
Ethnic conflicts in Georgia’s Abkhazia region in the early 1990s, and in the South Ossetia region in 2008, led to the displacement of large numbers of people. These internally displaced persons (IDPs) sought refuge in other regions of Georgia, and approximately 270,000 of them remain affected today. IDPs as a class have received a significant amount of assistance from the Government of Georgia, as well as from bi-lateral and multi-lateral donors, with most of it focused on housing.

It is well recognized that housing is not the only form of assistance that IDPs need: they also need ways to make living. A 2013 report commissioned by the World Bank states that up to 80% of IDPs are unemployed, as compared to a nationwide unemployment rate of 15%. The report goes on to identify opportunities to improve IDP livelihoods that seem feasible and replicable. One of the identified opportunities is improving the access of IDPs to agricultural land, including through land leasing. Substantial number of IDPs worked in agriculture before they were displaced, and therefore have experience with and are comfortable in the sector.¹

The government entity with primary responsibility for IDP issues is the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia (MRA). In the fall of 2014 the MRA, the World Bank, and the U.S. Agency for International Development began to work together to improve IDP access to land through leasing. As a first step, the World Bank retained this consultant to develop a program and action plan for IDP land leasing.²

The consultant carried out a fact-finding and analytical mission to Georgia from November 7-25, 2014. While in Georgia the consultant met with representatives from the following organizations:

- The MRA;
- The Ministry of Agriculture;
- The National Agency for State Property (NASP);
- The National Agency of the Public Registry (NAPR);
- The World Bank;
- The United States Agency for International Development and its contractor implementing the New Economic Opportunities Initiative (NEO);
- The Food and Agriculture Organization of the United Nations (FAO); and
- Several non-governmental organizations (NGOs) whose work is relevant to the consultant’s task.

In addition, the consultant carried out field visits to four IDP settlements in the Imereti and Shida-Kartli regions, and met with local officials in those regions.

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² The specific directives given to the consultant are outlined in a terms of reference.
This report presents the program and action plan for IDP land leasing, and is organized in the following manner:

- **Section I** presents the strategic context relevant to a leasing program;
- **Section II** describes the institutions that will have roles to play in a land-leasing program;
- **Section III** examines several issues to consider in the design of a land-leasing program;
- **Section IV** presents a design for a land-leasing program;
- **Section V** proposes an action plan for pilot testing such a program;
- **Section VI** is a discussion of how to integrate IDP land issues into a national land reform strategy which is in the preliminary stages of development; and
- Annexes conclude the report with: a model land-lease procedure for state-owned land; a similar procedure for municipally owned land; and a model land-lease agreement.

The primary audience for this report is the agency from the Government of Georgia identified above: the MRA; the Ministry of Agriculture; the NASP, and NAPR.
I. Strategic Context

Land leasing is a common phenomenon in the agricultural sectors of advanced market economies. In France and Germany over half of the farmland under production is leased, in the United Kingdom and Italy roughly one-third of the farmland under production is leased, and in the United States about 40 percent of all farmland is leased.³

In theory, Georgia should be seeing a lot of farmland leasing as well, since the agricultural land privatization effort of the 1990s and early 2000s transferred the majority of arable land to the rural population who lived nearby, many of whom were not able or interested in farming.⁴

In practice, though, it is estimated that less than 10 percent of the privately owned arable land in the country is leased, and a significant amount of arable land is not being used at all for various reasons.

Given leasing’s importance to a healthy economic environment in agriculture, and given the large amount of arable land that is not being used at all in Georgia, an effort to encourage and facilitate more land leasing is in the economic interests of the country as a whole. Development of the agricultural sector is now a public policy priority in Georgia,⁵ and leasing can be a useful tool to implement this policy.

Turning to the IDPs, the 2013 World Bank report mentioned above presents strong evidence of the serious nature of IDP unemployment and their struggles to make money for their families. Given that many IDPs do have agricultural experience, and have been relocated to rural or semi-rural areas, helping them gain access to farmland would seem to be a promising way to help them to generate income. Leasing has a number of attributes that should make it a useful land-access tool for IDPs:

- Leasing does not require an IDP to have substantial capital available up front, as is required to purchase land. The IDP can pay rent out of the income generated from the land;
- Leasing can expand the pool of land available to IDPs, for many land owners who want to keep their land but not use it themselves should be willing to rent it out. This would apply not only to private land but to state-owned land as well; and
- A lease transaction should be quick and easy to execute since it does not have the finality of a sale.

Importantly, since leasing land does not require up-front capital, generally cash-poor IDPs can access land without outside financial or program assistance, and can use what re-


⁵ The privatization process transferred arable land and permanent crop land to Georgia’s citizens. The use of the term arable land in this report is meant to capture permanent crop land as well.

sources they do have to buy seeds and tools, rent machinery, and acquire other inputs needed to farm. This makes leasing a potentially sustainable approach to land access, and thus is an approach that the IDPs themselves can control. It also offers a way out of dependency on the state or foreign donor programs.
Several existing institutions will have roles to play in the implementation of a land-leasing program. They are the MRA, the Ministry of Agriculture, NASP, NAPR, municipalities, and sub-municipal communities. The general responsibilities of each entity are described here to provide introductory context, and their specific roles vis-à-vis the program are discussed in the sections below. The challenge will be motivating the institutions to put effort into a land-leasing program, given their other responsibilities and ever-present constraints on resources.

The MRA. The MRA is the government entity with the primary responsibility for helping IDPs address issues they face because of their displacement. Thus, economic development initiatives that show promise of helping IDPs are within the MRA’s sphere of responsibility and natural interest.

The Ministry of Agriculture. The Ministry of Agriculture is responsible for promoting development of the agriculture sector in the country. Its programs include extension advice to farmers and payments to subsidize inputs. The Ministry should be interested in a land-leasing program, both because it offers promise as an economic development tool, and because it may bring un-used agricultural land back into production. While the Ministry’s 2012-2022 agricultural development strategy does not target land leasing as a focus area, the Ministry has expressed concern about the large amount of agricultural land that is currently not in use, and leasing is a tool to address this problem.

The National Agency for State Property (NASP). This agency is a “legal entity of public law” under the domain of the Ministry of the Economy and Sustainable Development. NASP is responsible for managing and disposing of state property, including land, as guided by the law. Since leasing of state-owned land can only happen upon the decision of NASP, it has to be involved in a leasing program. Apart from this duty, NASP should be interested in such a program because it offers a vehicle for generating revenue from land that is not immediately ready for privatization, or that the state intends to keep.

The National Agency of the Public Registry (NAPR). This entity is a “legal entity of public law” under the Ministry of Justice, and is dedicated to fulfilling the public service tasks assigned to it by law. NAPR was established in 2004, and in 2009 assumed full responsibility for registering rights related to immovable property (land and buildings). NAPR’s registration responsibility includes maintaining a map and owner database that shows the legally recognized boundaries of land parcels and the structures on these parcels. As explained in more detail below, many agricultural land parcels are not properly mapped, and land ownership rights are not clear in the NAPR database. These issues will be relevant to parties wishing to lease land, thus by necessity NAPR will be involved in a land-leasing program.

Municipalities. Each region of Georgia is divided up into several municipalities. For example, the Shida-Kartli region contains five municipalities plus the city of Gori. According to the Local Self-Government Code, municipalities can be owners of agricultural land and have

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the right to lease it to private parties. Municipalities also have a responsibility to manage land resources of local importance, which includes land they own, and leasing is one form of such management.\(^7\)

Apart from having a responsibility to manage locally important land resources, municipalities have authority to take action for the purpose of facilitating agriculture.\(^8\) They also have administrative infrastructure which could be used to help implement a land-leasing program. Thus, municipalities have two key roles to play: the role of a land owner who wants to lease land; and the role of a government institution who wants to implement economic development activities on its territory. The latter role should be of interest to the municipalities, since economic development promises to generate more tax revenue for funding their operations. And since municipal governments have a strong local presence, they are well positioned to help implement a program.

As a final note, land that is leased is in economic use and thus is subject to the property tax on land. Revenue from this tax stays at the local level as part of the municipal budget. This provides an additional incentive for municipalities to want to facilitate land leasing.

*Communities.* Each municipality is divided into a number of communities. Further discussion of their characteristics is found below, in Section III.B.

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\(^7\) Local Self-Government Code (2014), Articles 107, 122.
\(^8\) Ibid, Article 16.
\(^9\) Ibid, Article 16(4).
A. The program should not be just for IDPs

The consultant discussed issues surrounding a possible land-leasing program with representatives from several government entities, the donor community, the NGO community, and the IDP community. From these discussions a fairly consistent theme emerged: a leasing program should encourage participation from rural households generally, not just from IDPs. The reasons given were twofold. First, it is not just IDPs who need to generate more income for their families, but rural society as a whole. Both groups are struggling, thus both could benefit from a land-leasing program.

Second, a broader program could help the IDPs themselves, because program support is needed not only from the MRA, but from several other entities as described above. These latter entities have a general mandate to help all of Georgia’s citizens, and an IDP-only program would be unlikely to gain the support from these entities necessary for success.

There are other reasons for an inclusive program in addition to those cited. Such a program would have a higher profile and wider reach, thus could end up attracting more IDPs than would be attracted by a program focused solely on IDPs. This would apply especially to the large number of IDPs who do not live in IDP settlements but have been privately accommodated. Moreover, a broad program should raise the profile of agricultural land leasing generally, which may lead to more land owners deciding to lease land they are not using or no longer want to use. The result could be more available land. As is true with economic growth generally, a land-leasing effort should not be viewed as a zero-sum game, in which the size of benefits is restricted and thus potential beneficiaries are in competition for a fixed amount. More players can lead to more economic growth.

**Recommendation:** While the land-leasing program will be targeted in areas where IDPs live, any Georgian citizen should be allowed and encouraged to participate in the program as well.

B. The program should be implemented at the community level

Georgia is divided administratively into regions. Each region is in turn divided into municipalities, and each municipality is divided into communities. Communities in rural areas are typically made up of a village or group of villages and include the surrounding agricultural land. Each community has a representative who is charged with working for the community’s benefit and liaising with the municipal government. The representative is appointed to the post by the municipal government.

Because of these attributes of the community, it represents an ideal administrative unit upon which to base the land-leasing program. Ideally program implementation would occur in 2-3 communities adjacent to one another. This offers a number of advantages. First, it offers a larger land base from which to identify leased

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10 “Temî” in the Georgian language.
land while still being at a manageable scale. Second, it should enable both IDPs and people from non-IDP villages to participate in the program, which is a key for developing widespread program support. Third, it will allow for a more efficient use of resources, most notably training resources, which will be brought to the field level, since more villagers will be able to take advantage of these resources.

While it goes without saying that the communities need to be supportive of the program for it to work, it is also essential for municipal governments to participate actively and contribute resources, even if these are modest. Thus, the program should only be implemented in municipalities whose governments demonstrate a serious interest in the program and a willingness to actively participate in it. Requiring such commitment from the municipality also has the side benefit of fulfilling the policy of promotion of agriculture by the municipality, and the general promotion of decentralization, as set forth in the Local Self-Government Code. 11

**Recommendations:** The land-leasing program should be implemented at the community level, with 2-3 adjacent communities joining together. Support from the municipality is essential.

### C. Finding agricultural land for leasing

The land that can be the target for a leasing program for agriculture can usefully be classified into the following types:

- Privately owned arable land. Most arable land in Georgia is privately owned;
- State-owned arable land;
- State-owned pasture land. Most pasture land in Georgia is state owned;
- Small state owned land plots that are near IDP housing, but are not officially classified as agricultural land. An example of this is the front yard of an old kindergarten building in the village of Kvitiri (Tskhaltubo Municipality, Imereti Region). The building was renovated for use as IDP housing, and the IDPs who live there have set up greenhouses in the front yard with assistance from the NEO Project. 12 The households have applied for ownership of this land; and
- Small privately owned land plots that are near IDP housing, but are not officially classified as agricultural land.

The biggest challenge to a successful land-leasing program is going to be finding land available to include in the program. There are several dimensions to this land availability challenge:

- Land has to be located reasonably close to the IDPs for them to be able to travel to it regularly to carry out farming activities. One IDP interviewed by the consultant said that he did not have vehicle transportation, thus would have to walk to any land he leased, work all day, and then walk home. Given this, the land would have to be within five kilometers from home. IDPs with transportation could commute further distances. Even allowing for transportation, it is probably not realistic to expect IDPs to commute to land that is further than 10 kilometers from where they live.
- Identifying the owner of an agricultural land parcel can be difficult because many of them have not registered their land at NAPR. This is an issue for private land, municipal land, and state land. See the following section for more detail.

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11 Local Self-Government Code (2014), Article 16(3) and (4).

12 The building was rehabilitated by the USAID-sponsored “Georgia Municipal Infrastructure and Internally Displaced Persons Housing Rehabilitation Project.”
Since most arable land is privately owned, it is most likely to be the type of land close to where IDPs live.\(^\text{13}\) It will be up to the owners to decide whether to lease the land, to whom to lease the land, and the terms and conditions of that lease. Therefore, any program needs to include engagement with private owners to maximize the leasing opportunity.

State-owned arable land could be made available immediately if the state chooses to do so, but it is unlikely that a significant amount will be close to where IDPs live since such land is mostly privately owned.

It is also possible to include pasture land in the program. Pasture land was not included in the farmland privatization initiatives of the 1990s and early 2000s, thus most of this land remains in state ownership. However, since the program is targeted at leasing land for vineyards, orchards, and growing crops, including pasture land implies that it will need to be converted to non-pasture agricultural use. This will require a lot of physical work, and has a political dimension as well.

A substantial amount of agricultural land in Georgia is not being used at all. The reasons cited include inadequate startup capital for farming operations, difficulties obtaining water, and land owners who had not been farmers thus are not entrepreneurially inclined. The startup capital and water issues will remain challenging to potential lessees. Moreover, for land that has gone un-used for several years, the fertility of the soil may need to be improved before cultivation can begin.\(^\text{14}\)

The arable land base is divided into land parcels that are very small, and is thus more conducive to subsistence-focused rather than commercial-focused agriculture. This is a legacy of the agricultural land privatization program of the 1990s and 2000s, through which over one million citizens of Georgia became land owners. Each of these new owners received 3-4 plots ranging in size from 0.3-1.25 hectares. These small plots do not stop pursuit of commercial agriculture, but assembling land areas from these plots that are large enough for commercial exploitation is often difficult.

All of these challenges lead to the conclusion that a large amount of land is probably not going to be available all at once for a leasing program. Therefore, the program needs to be thought of in terms of providing an ongoing opportunity over time. The public outreach campaign and selection of motivated municipalities and communities is meant to encourage participation in the short pilot program.

**Recommendation:** The land-leasing program will have to stimulate both IDP and land owner participation in order to identify enough land to deliver a meaningful impact. Effective public outreach will be very important.

### D. Most agricultural land is not registered

Georgian law implies that ownership rights to land need to be registered in order for them to be legally recognized.\(^\text{15}\) This requirement has important implications for a land-leasing program because, if the ownership right to a land plot is not properly registered and that plot is subsequently leased, the lease might not be recognized as valid or be enforceable.

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\(^\text{14}\) Application of fertilizer, adjusting the pH of the soil, etc. Such treatments may be needed a season before cultivation can start on the land.

\(^\text{15}\) Civil Code of Georgia, Article 183; Law on the Public Register (2008), Article 11(5); Law on Recognition of Title to Land Plots Possessed (Used) by Physical Persons and Private Law Entities (2007), Article 41.
if a problem arose. Lack of registration also makes it harder to identify the owner of a land parcel that might be attractive for including in a land-leasing program. While local people will probably know who owns the different parcels in their locality, this situation does not make ownership rights as transparent as they could be, which limits the number of potential lessees to those who have direct knowledge. Those without direct knowledge are unlikely to trust proclamations about who owns particular land parcels.

As stated above, land is registered by NAPR. Unfortunately, only an estimated 20-30% of agricultural land is registered by NAPR as the law requires. This is because the requirement for registration of ownership was added after most of the agricultural land privatization effort had taken place, and most owners do not see an immediate practical need to go through the trouble and expense of registering their land. Their ownership rights to privatized land have not been cancelled because of failure to register, but the permanence of these rights remains at risk until they are registered. It is also worth noting that most state and municipally owned agricultural land is not registered either, though the state is hardly at risk of losing its ownership rights due to its inherent power and authority.

The Irrigation and Land Market Development Project, a World Bank-supported effort being implemented from 2015-2019, will be developing and implementing a solution to this problem. The solution is likely to include record gathering, developing area-wide land plot plans to reconcile overlapping boundaries, getting local approval for the plans, new land surveys, and registration. All of this is not going to be possible for a land-leasing program that seeks to help IDPs gain access to land in the short term, though.

The land-leasing program will have to acknowledge the registration issue in one of two ways:

- The program can make sure land owners and IDPs/other lessees know the risks of concluding a lease even if the underlying land plot is not registered, but otherwise take no action. This approach would have the advantage of enabling quick action, but could also result in IDPs being harmed. However, if the IDPs know the risk of leasing an un-registered piece of land in advance, they can make their own decisions about how to respond and use that in negotiations with land owners. One possibility would be to negotiate a lower level of rent as compensation for the risk. At the same time, it is possible that many IDPs otherwise interested in leasing may decide not to participate in the program because of the risk.

- The program could finance the registration of land plots for which a preliminary agreement to lease has been reached. Financing would have to include making local inquiries to ensure that the land area claimed by the owner does not overlap with someone else’s land or that others do not have claims. Financing would also have to include paying a land surveyor to survey and map the land plot boundaries according to the specifications required for registration by NAPR. Resources would have to be made available to use this approach.

**Recommendation:** Both approaches should be used in the program. The latter approach will depend upon funding. Cooperation with NAPR in this effort will be very important. The results of this effort should provide useful information for the aforementioned Irrigation and Land Market Development Project to use during its implementation.

**E. Should the program require written and registered leases?**

Georgia’s Civil Code lays out the rules for leasing of land, including some specific rules for
the leasing of agricultural land. The Code states that a “contract for the lease of agricultural land shall be drawn up in writing,” but then cryptically goes on to state that “[i]n case of non-observance of this form it shall be presumed that the contract has been concluded for an indefinite term.” The Code goes on to define “indefinite term” as effectively a year-to-year lease. An appropriate interpretation of these provisions is that the law has a preference for written leases, but recognizes unwritten ones as well.

If the parties to a lease choose to prepare it in writing, they also have the choice about whether or not to register the lease. Registration of leases between people is voluntary, while registration of leases is mandatory when one of the parties is a legal entity and the lease is more than one year in length. Registration of a lease can only take place, however, if the ownership right to the subject land parcel has already been registered.

Therefore, based on the legislation, the prospective parties to a lease under the program will have three choices about how to conclude that lease: oral lease; written lease without registration; or written lease with registration. The advantages and disadvantages of each approach are described here.

- Oral leases: Oral leases for agricultural land are common in Georgia today. They are simple and informal, and are fine for short-term situations and when the parties know one another. Their great disadvantage is that they are very difficult to enforce if a dispute arises between the parties about the terms of the lease, or even about the existence of the lease. Oral leases are not good for lessees who need to make significant investments in the land, in agricultural machinery, or in inputs, in order to make a profit, and who need several years to fully realize the returns on these investments.

- Written leases without registration: Written leases provide better definition of rights and obligations of the lessor and lessee, are more appropriate for medium and long-term leases, and are enforceable in the event of a dispute. Choosing not to register the lease would save registration fees and, if the land is not properly surveyed, the time and cost needed for the survey and map preparation that must happen for registration to occur. The disadvantage of not registering the lease is that the protection afforded by registration would not exist, and registered rights in conflict with the lease would take priority.

- Written leases with registration: Written, registered leases provide the highest level of protection possible under the law. But registration fees must be paid, as well as the survey and map preparation fees if a map in accordance with standards does not already exist. The surveying and mapping effort would take time as well.

While there is nothing wrong with oral leases between friends and family members for short time periods, such leases simply do not afford the security and clarity required for lease relations between strangers or acquaintances, and do not allow for longer term leases or significant investments needed to improve agricultural productivity. For these reasons, a land-leasing program must seek to improve the legal literacy of IDPs about land leases, and must be directed to helping them execute lease contracts in writing. Whether such contracts should also be registered can be examined through a cost-benefit lens on a case-by-case basis.

16 Articles 531-575, 581-606. The Civil Code also contains rules for creation of usufruct rights to land, but these are more long-term in nature and thus do not serve the objective here. See Articles 242-246.

17 IBID, Articles 593, 606.

18 IBID, Article 311. Law on the Public Register (2008), Article 11.

19 IBID, Article 11(5).

20 IBID, Article 11(3).
**Recommendation:** The land-leasing program should require that leases be concluded in writing. Registration of the leases can be voluntary, and can be decided on a case-by-case basis.

**F. Tax issues relevant to land leasing**

During interviews in Georgia, some people indicated to the consultant that leasing land would give rise to tax obligations that would make a land-leasing program less attractive to IDPs. This section discusses those obligations and the implications for the viability of the program.

There are two types of taxes relevant to the leasing of agricultural land: the property tax on land and the income tax. The “property tax on land,” as it is called in the Tax Code of Georgia, is a per-hectare tax whose amount is based upon land classifications and locations.\(^{21}\) This tax must be paid by the land owner each year, though as part of a lease agreement the IDP could agree to make the payment. The payment could then be counted as part of the consideration paid in return for the right to use the land. The obligation to pay the property tax on land is not created when a lease is signed: it always exists as a matter of law.

The Tax Code exempts the land owner from paying the property tax on land in several situations.\(^{22}\) However, the exemptions do not apply if the land owner leases the land to a user.\(^{23}\) The rationale for this seems to be that the existence of a lease indicates that the land is in economic use, thus can generate the revenue needed to pay the tax.

Finally with regard to the property tax on land, state-owned lands are subject to the tax when they are in economic use, and are not subject to the tax when this is not the case.\(^{24}\) Thus, if the state leases land to an IDP for agricultural production, that land will be subject to the tax.

The second tax relevant to the leasing of agricultural land is the income tax. The Tax Code does not have special provisions for the taxation of revenue received from the lease of agricultural land. Therefore, such revenue is taxed as ordinary income according to the rules of either personal or corporate income tax, whichever apply.

Turning to the potential impact of the tax issue on the land-leasing program, it is likely true that oral leases are commonly used by land owners and lessees as a way to keep leases less visible to the tax collectors, and thus avoid the obligation to pay the property tax on land. But an oral lease does not legally exempt the parties from paying the tax, so failure to do so is tax evasion. A leasing program cannot condone tax evasion.

From discussions in Tbilisi, especially with personnel from the Ministry of Agriculture, it seems that farmers frequently have misconceptions about the amount of tax the law requires them to pay, and how it relates to the income they may generate from farming activities. The tax burden is not nearly as onerous as some farmers believe. If IDPs lease land and are productive and efficient, they should be able to meet their tax obligations and still make money from farming.

\(^{21}\) Tax Code of Georgia, Article 203.

\(^{22}\) IBID, Article 206(1). For agricultural land these situations include: land where the topsoil on 50% or more of it has been damaged by a natural disaster; land that is being brought back into production, and that is in use by people or legal entities. In this case, the exemption lasts for five years; land of up to five hectares owned by person (not a legal entity) as of 1 March 2004; land on which 50% or more of the harvest has been destroyed by a natural disaster (blizzard, hail, drought, and flood) or other force majeure; and land on the territory of a deserted village for the first five years.

\(^{23}\) IBID, Article 206(2).

\(^{24}\) IBID, Article 206(1)(g).
**Recommendations:** The land-leasing program cannot encourage or condone tax evasion. The public outreach program will have to provide accurate information about tax obligations. It will be important to reach land owners, not just IDPs and other potential lessees, on this matter. Also, since property taxes on land go to the municipal budget as mentioned above, the municipalities should be interested in promoting written lease agreements and helping with public outreach.

**G. Land lease transaction costs**

It takes time and effort, and costs money, to process a transaction. If those costs are high relative to the expected financial benefit from the transaction, the parties to the transaction may decide not to complete it. The following list reviews the various transaction costs that the parties to a lease transaction in Georgia may encounter:

- **Cost of surveying the land plot:** If the land parcel in question is not mapped in accordance with Georgian mapping standards, then a parcel boundary survey will be needed to definitively establish its borders. The low-end cost of such a survey, carried out by a surveyor from a region besides Tbilisi, range from GEL 50-100 (USD 21-42). On the high end, a Tbilisi-based surveyor with advanced equipment would charge from GEL 300-350 (USD 125-146) to survey a land parcel.

- **Time needed for surveying the land plot:** Time is a transaction cost, just like money. Surveying time is variable but should not be significant, since it is merely a matter of hiring a surveyor to do the work. However, if there are boundary issues with neighboring land owners that need to be worked out, the process of assembling the neighbors, holding discussions, and agreeing on boundaries could take significant time. The time needed will be unique to each individual situation, thus cannot be estimated with precision here.

- **Time and cost of preparing the lease contract:** The time needed to prepare a lease contract should not be significant. The cost of preparing the contract could vary widely, namely with regard to procuring legal services to draft a legally sufficient contract. At the same time a lease contract is not by nature overly complex, so a model contract containing all the essential elements of the lease would be sufficient for most situations.

- **Fee for registering the lease:** The cost to register an agricultural land lease is GEL 50 (USD 21). In addition, if the ownership right to the underlying land plot has not already been registered, it will need to be done before registering the lease. Fortunately there is no charge for this registration when it is a “first registration,” that is, the transfer of ownership from the state to the private citizen as a result of a privatization program. Virtually all un-registered land will fall into this category.

- **Fee for notary services:** If a lease is registered, it either has to be notarized or signed by the parties in front of a NAPR representative. The latter is part of the cost of registration, so it is reasonable to expect that parties to the lease will choose this method of verifying signatures. Thus, there should be little or no notary involvement in the transaction, and thus no notary fee.

- **Time needed for registration:** NAPR is one of the most efficient and customer-friendly registration services in the world. According to the World Bank’s “Doing Business” initiative, Georgia ranked third worldwide in the time and cost it takes to register property. Registration of a land lease takes up to four working days, in law and in fact.

Finally, as discussed throughout this report, there is potentially a significant amount of variability in the cost to complete a lease transaction, and the parties to the transaction have some measure of control over these costs. Thus, not all of these different types of transaction costs will be incurred in every transaction, and in some cases there will be almost no transaction costs at all.

H. Improvement of land-lease procedures

At a basic level, the procedure for entering into an agricultural land-lease agreement is straightforward. The land owner and the person interested in leasing the land meet one another, they discuss how much rent should be paid and other relevant lease conditions, they reach agreement on the conditions, and then they sign a lease. But IDPs generally have not leased land before, and have limited experience with the legal system generally. Thus, they are unlikely to know where to start in the process, which will inhibit them from pursuing leasing opportunities. Such natural hesitancy is certainly compounded when the land owner is the state, for engagement with the state can seem daunting. Thus, providing clear information on leasing procedures, and improving the procedures where possible, will remove one obstacle to IDPs using leasing to get access to land.

Beginning with state-owned land, this consultant inquired extensively about the procedure for leasing such land to IDPs. Results from this inquiry suggest that the state has not leased much of its agricultural land and has not developed procedures to provide guidance on leasing. The focus has been on land privatization.

NASP, whose responsibilities include the management of state-owned land, does have experience in responding to IDP requests for obtaining ownership of land to use for agricultural purposes. An IDP interested in obtaining a land parcel must apply to the MRA, who then forwards the request to NASP for review. A committee within NASP reviews the request and then makes a decision.26 There does not seem to be a requirement that NASP take action within a defined period of time. Nor is this procedure written down in a unified, clear format. Nevertheless, this process for considering a transfer of ownership to land contains elements that can be copied for a leasing procedure. It can also be used for non-IDPs who want to lease state-owned land, though such people would not go through the MRA.

The process for leasing municipal land probably suffers from the same lack of clarity as does the process for leasing state land. The consultant discussed this matter with regional and local officials, but they were not able to articulate a clear procedure.

The leasing of private land occurs initially through an informal process as described above, followed by the more-formal process of contract signature and registration if the parties desire. Again, this procedure is not written down in a unified, clear format.

Recommendations: First, the strong public outreach effort that must be part of the program should include a written set of steps for an IDP or other potential lessee to follow in order to negotiate, sign, and register a lease. Some unique steps will be needed if the land is owned by the state or a municipality. Second, the state should adopt a procedure that provides guidance and a procedure for leasing state-owned land that can be used for agriculture. Annex 1 to this report contains a draft of such a procedure. A similar procedure will be needed for leasing municipally owned land. Annex 2 contains a draft.

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26 The NASP consults with the municipal government within whose boundaries the land is located before making a final decision.
I. Gender

The imbalance of economic power between men and women within society, or between them within a marital relationship, can have negative consequences for women who are generally the weaker party, and for their families. An exhaustive evaluation of gender issues in rural Georgia was beyond the scope of the present assignment, but the consultant did inquire about women’s participation in rural business activities while visiting the Shida-Kartli and Imereti regions. Responses to those inquiries show that women IDPs are very active in business operations, and most small-business grants awarded by USAID’s NEO project go to women. One woman interviewed by the consultant even suggested that the best way to help women was to give men more economic opportunity.

On a macro level, a majority of those employed in agriculture in Georgia are women, and one-third of agricultural holdings are owned or managed by women. However, most private agricultural land is owned by men, and across the entire economy men participate in the labor force at a much higher rate. None of these facts, either at the micro or macro level, give a clear indication about the relative income contribution each spouse makes to the household in rural Georgia.

When it comes to signing leases, the “head of household” would be the default signatory, and the head is typically considered to be the husband. This could lead to difficulties for the woman if there is disagreement within the household about how to use the land or the proceeds gained therefrom.

Recommendations: While special training efforts targeted at women do not seem necessary, barriers that women (and men) may face to participate in the program should be examined, and the training program should be designed to overcome identified barriers and needs. Also, the training should explain the benefits of both husbands and wives signing land leases. Finally, monitoring efforts should capture the program’s effects on both men and women.
The following proposed design of a land-leasing program draws from the analysis and conclusions presented in Section III of this report. The design is heavily influenced by four overarching considerations. First, it is unlikely that large amounts of land will be immediately available for leasing. Land will become available on a sporadic basis over time. The program design reflects this probability. Second, the program is designed to encourage participation from both IDPs and rural households generally.

Third, recent MRA experience shows that the best results for IDPs are achieved when they have the knowledge and tools to take action themselves. This land-leasing program is therefore designed to facilitate the personal initiative of IDPs and rural households generally as much as possible.

Finally, the program is designed to be cost-effective so that it can be implemented at scale if the Government of Georgia decides to do so, and so that it is sustainable no matter what the scale.

A. Selecting communities for program implementation

The program should be implemented at the community level, with 2-3 adjacent communities in a municipality participating together as one unit. Groups of communities should be selected for participation based upon a combination of demonstrated interest in the program and factors such as the presence of IDPs and land that can be used for gardening or larger-scale farming. A scorecard should be developed to grade and rank groups of communities, with the groups receiving the highest grades being selected for program participation. The components of a scorecard are:

- Letter from the government of the municipality to the MRA indicating interest in its communities participating in the program, and committing to play an active role in the program (15 points);
- Joint letter from a group of communities (no more than three) indicating interest in program participation, and explaining why the communities are a good place for program implementation. The explanation should include proof of the communities’ commitment to developing the agricultural industry and to supporting IDPs (up to 40 points);
- Proof of presence of IDP households in the communities. One point would be awarded for every 10 families living in the communities (up to 20 points); and
- Proof of the existence of arable land, or other agricultural land (pasture, orchard) that could be easily converted to arable land, within 10 kilometers of a settlement of at least five households. One point would be awarded for every 20 hectares meeting these criteria (up to 25 points).

The community-selection process will not be a broad public awareness process involving mass media, but an effort by the program implementers working directly with motivated municipal governments.
B. Land-lease training for land owners and those interested in leasing land

In order to take advantage of opportunities to lease farm land, both land owners who want to lease out their land, and people interested in leasing such land for farming, need to understand how to conclude a land-lease agreement, become familiar with key lease conditions that have to be negotiated, and enhance their knowledge about the possible economic benefits of leasing land for agricultural activity. Effective outreach requires: identifying the information that needs to be provided; and using methods for delivering this information that will effectively reach the target audience and motivate them to seek out land leasing opportunities.

The following list contains the types of information that land owners and people interested in leasing land should receive so that they are prepared to assess and assert their interests with regard to land leasing opportunities:

- Why land leasing may be a good option for the various parties. This should include providing information about current market rental rates, so that both the potential lessees and lessors are able to make sound decisions when doing a lease transaction. This may include providing rental price ranges for different types of land, or sample calculations of rental fees (items that may make rental rates higher/lower).

- While most farmland leases in Georgia are oral and between farmers that know each other, they are not legally recognized and thus are not enforceable within the legal system in case a problem arises. Therefore, a written lease signed by both parties is strongly recommended.

- The key elements of a lease are:
  - Identification of the parties to the lease;
  - Description of the land to be leased (size, location, legal description);
  - Term of the lease;
  - Whether the lessee has the right to sub-lease the land to a third party;
  - Amount of rent to be paid. The land owner and the lessee will decide for themselves the form of the rent: in money or in-kind. If it is the latter, the quantities of each product provided will need to be specified. It is anticipated that most rent will be paid in-kind;\(^\text{27}\)
  - Statement that the renter will pay the property tax on land on behalf of the land owner, if the parties agree to this; and
  - Description of the conditions for which the lease can be terminated before its term ends. These include failure of the lessee to pay the rent in full by the due date, causing harm to the land, or to trees or buildings upon the land, or in the event the state exercises its sovereign power under the law to expropriate the land for pressing public needs.\(^\text{28}\)

- Process for concluding a lease. As described above, the process will differ depending upon if (i) the lessor is a private land owner or the state and (ii) the parties

\(^{27}\) The consultant inquired about the amount of rent being paid while visiting IDPs and officials in the Shida-Kartli and Imereti regions, but received only sporadic anecdotal information. In one IDP settlement, a typical annual rental payment was stated to be 50 kilograms of beans for the use of 0.4 hectares. Another settlement reported annual rent in the amount of GEL 200 for 0.5 hectares, for a per-hectare rent of GEL 400 (USD 167). This was considered low, but the land needed work before it was ready for production.

By comparison, cropland in the United States in 2013 rented for USD 336 per hectare on average, while in Europe the median rental price for one hectare of agricultural land in 2008 was EUR 220 (USD 250), and can be found in Germany. Retrieved from http://www.nass.usda.gov/Publications/Highlights/2013_Land-Values_CashRents/index.asp#rent_paid;

Ciaian, P., supra note 3, p.13.

\(^{28}\) See the Law on Rules of Expropriation of Property for Pressing Public Needs (1999).
decide to register the lease.

- Explanation of the tax implications related to concluding the lease. As described above, a lease agreement triggers the obligation to pay the property tax on land, but does not trigger income tax obligations in addition to those incurred in any other moneymaking activity. Nevertheless, the obligations should be explained to the parties so that they have full knowledge about their legal responsibilities.

- Real examples of how land leasing has benefited both the land owner and the farmer using the land. Real-life examples are more powerful and motivating than theory.

- Explanation of the possible benefits of having both the husband and wife in a farming household sign the lease.

- Explanation of the effort to facilitate land leasing by encouraging land owners to inform community representatives about land availability. The representatives can then maintain an information board about this land in the village so that the opportunities are well known. In addition, information about leases that are signed should be posted so as to stimulate thinking on land leasing generally.

The big challenge is how to reach the target audiences of IDPs, other rural citizens potentially interested in leasing land, and land owners in an effective manner. How do you communicate with IDPs and land owners so that they will absorb and retain information for use when opportunities arise? How do you motivate them to seek out leasing opportunities? Ideas on approaches and tools for outreach that hold promise to be effective are as follows:

- A pamphlet containing the information described above will certainly be necessary. A graphic designer should be retained to design a pamphlet that is attractive, engaging, and user friendly. A successful design will result in a pamphlet that IDPs/other lessees and land owners keep and refer to from time to time as needed. Testing of different designs on focus groups would be helpful as well.

- A model land lease should be prepared that is easy to understand and use. Such a lease will make the process of concluding a lease agreement much easier for the parties. The model lease should have blanks for filling in information that is specific to individual lease deals, such as the names of the parties, the size of the land area, and the amount of rent to be paid. See Annex 3.

- The written materials should be distributed at training sessions. In addition, they should be available in public buildings in each village, at the municipality offices, through Ministry of Agriculture channels at the local level, and from the local MRA offices.

- Training sessions on land leasing should be carried out in each village within the communities participating in the program. The sessions should be advertised in advance to encourage maximum attendance. Trainers should present the information in a manner that encourages the participants to ask questions and provide information about their own experience with land leasing or agriculture more generally. Give-and-take engagement between the trainers and the audience, rather than a simple lecture, offers a better chance for the training to be successful.

- Who should carry out the training? Ideally the training would be done by specialists from the Ministry of Agriculture, since the purpose of leasing is income-generating agricultural production. In addition, farmers and land owners who have land leasing experience should present their practical experiences with land leasing to the audience. They are likely to be the most influential trainers.

- Repetition of the possible benefits of land
leasing, and information about land leasing, is an essential component of the outreach activity. A one-time training session is unlikely to deliver a surge in land leasing. This is reinforced by the fact that land will become available for leasing gradually over time, not all at once, so ongoing outreach is needed to keep IDPs engaged so they can take advantage of those opportunities when they arise.

C. Identifying land plots that are available for leasing

As mentioned above, identifying available land plots for leasing is the biggest challenge in the program. The program proposes that two approaches be used to identify plots: reaching out to land owners whose land is located within 10 kilometers of IDP groups; and establishing an information service similar to a real estate brokerage to identify land owners and potential lessees together.

Outreach to neighboring land owners. In areas within target municipalities where at least 10 IDP households live within close proximity to one other, a spatial database shall be obtained from NAPR which shows the land-plot boundaries, land-plot owners, and registered leases. The database shall cover the area within a 10-kilometer radius from the households. Discretion should be used about the area to be covered to account for geographic features or other local conditions. As discussed in Section III, the spatial database for a particular area is unlikely to be fully accurate. The program accepts the limitations stemming from this accuracy problem.29

Once the NAPR database is obtained, information about what agricultural land is being used, and who is using it, should be gathered from other sources and overlaid on the NAPR database in GIS format. Users will include lessees who have oral, short-term leases. The sources for this information will include the Ministry of Agriculture, the municipalities, the community representatives, and the villagers.

Once this information is assembled, the program will reach out to land owners to see if they are interested in leasing their land. These land owners will include NASP as the manager of state-owned land, the municipal governments as the managers of municipally owned land, and of course private land owners. A list of interested land owners will be prepared and made available to the rural population. This outreach should be repeated every six months throughout the life of the program.

Land market information service. The recommendation to proactively identify all land potentially available for leasing within a 10-kilometer radius of groups of IDPs will not necessarily reach all land owners interested in leasing within the targeted communities. It also does not make land available to those IDPs who do not live in groups, such as IDPs privately accommodated. A more general effort to identify available land is needed as well.

A land market information service will be established to publicize the availability of individual agricultural land parcels for leasing.30 While the service will focus on identifying available land within the targeted communities, it will publish the information across the entire municipality where the communities are located so as to reach more potential lessees, including IDPs. It is important to advertise not only opportunities for leasing, but information about leases once they have been concluded. This will stimulate thinking and initiative on the part of the IDPs and the rural population generally.

The government of the municipality is prob-

29 As mentioned above, the Irrigation and Land Market Development Project, an effort supported by the World Bank, will work out a solution to this problem.

30 The service could also advertise opportunities to buy agricultural land.
ably best positioned to operate this service. It can encourage land owners with land to lease to provide the basic information (name, parcel size, parcel location, contact information), and then distribute the information on a regular basis through channels out to the communities. Potential lessees could then contact land owners to negotiate and sign leases. The municipal government should be motivated to operate this service, since any property taxes on land that are generated from leases will flow to the municipal budget.

D. Negotiating and signing lease agreements

The process of negotiating and signing a lease agreement is, first and foremost, the responsibility of the parties. The land owner knows best how much rent he wants for his land, and the lessee knows best how much rent he is willing to pay. Hopefully the efforts at public outreach and identifying land for leasing will have equipped the parties with knowledge they can use to negotiate and make informed decisions for themselves.

The model land lease agreement (see Annex 3) will make it easier for the parties to conclude a lease. The program should also offer the parties the following assistance to facilitate the completion of leases:

- Advice from a lawyer on the necessary elements of a legally valid lease, and on the rights and obligations of the parties;
- If the boundaries of a subject land parcel are not registered in the NAPR database, a survey will be commissioned that meets the technical standard required for the database. This may not always be possible because of unclear rights (see Section III.D above). In that case, the land owner and IDP can decide whether or not to sign the lease while factoring in this risk; and
- For all leases being concluded under the program, the intent to complete the lease should be advertised for a 15-day period through means that are most likely to reach anyone with a claim to the land plot. Posting public notices in the villages closest to the parcel, and in the administration building of the municipality, would be the minimum. Review of the land registration records maintained by NAPR should be done as well.

E. Monitoring the results of the land-leasing program

Monitoring the results of the land-leasing program will help to provide an understanding of whether the program increases the amount of land leasing that occurs, and whether IDP incomes increase. The logic of the program is that the promotion of land leasing will lead to more IDPs leasing land, which will in turn lead to increasing incomes for IDPs. This logic suggest two monitoring points: measuring the program’s raw output in terms of leases signed and other metrics; and measuring the impact on IDP incomes. The latter, of course, is the program’s ultimate objective.

The following “raw output” information should be gathered across the program. Most of the information is in the leases themselves, thus gathering it from the land owners and lessees should be simple and inexpensive:

- The number of leases concluded through the program;
- The number of leases that are (i) oral only, (ii) in writing but not registered with NAPR, and (iii) in writing and registered with the NAPR.
- The total amount of land leased;
- The average and median land area of the leases;
- The average and median length of the leases;
- The average and median amount of rent
paid per hectare, in cash or in kind;
• Conversion of in-kind rent into cash equivalent (based upon local farm-gate prices) to allow for comparison; and
• The amount of land brought into production through leasing.

The more difficult monitoring effort relates to measuring the program’s impact on investment in land, on IDP incomes, and on whether the program delivered more leases than would otherwise have occurred. Ideally the measured impacts would be compared to a counterfactual, that is, to a group of IDPs of similar characteristics who are not participating in the program. This would require establishment of control and treatment groups and doing baseline surveys, which requires advance planning and the services of economists/statistics professionals and trained enumerators. A proper design of such monitoring effort is also likely to require alteration of the basic program design described above. Moreover, such an undertaking is likely to be expensive. But it may also be worth the money in order to gain an accurate view of the program’s effectiveness, especially if the program is to be expanded. This is a decision for later.

In the meantime, those who lease land under the program should self-report the income derived therefrom, and the investments made to make use of the land under lease. A questionnaire can be developed to make self-reporting simple.

All information that is collected should be assembled into a database that can be manipulated for analytical purposes. For example, comparing the length of lease with the annual rent, or the size of parcel with the annual rent per hectare, may yield useful information that could inform future land market development efforts. Comparing lease information from different municipalities would give a view of the different conditions across the country. Such information will be of interest to the Ministry of Agriculture and the Ministry of the Economy and Sustainable Development in addition to the MRA, and could enhance support for the program.

Finally, all information should be collected in a sex-disaggregated manner that allows for the identification of the impact of the program on all participants, and on men and women as separate groups. Doing so would be consistent with the spirit of the Law On Gender Equality, which requires official statistical reports related to gender issues to contain sex-disaggregated information.31

F. Capturing beneficiary feedback

It is standard practice for businesses to seek out the opinions of their customers in an effort to improve service and customer satisfaction. Such an effort can be useful for improving development programs as well, such as this land-leasing program, and for having more satisfied beneficiaries. Seeking out the opinions of beneficiaries can also give them a stronger sense of participation.

The land-leasing program should develop a brief questionnaire for people who come into active contact with the program to complete. The questionnaire should ask what people liked about the program, what they did not like, and how the program could be improved. It is possible that different questionnaires will be needed to gather feedback from different components of the program: identification of land for leasing; training and public outreach; support to those signing leases, etc.

31 Law on Gender Equality (2010), Article 5.
N ew ideas should be field tested to see if they are workable and deliver the intended results before committing substantial effort and resources. The land-leasing program should be field tested in 2-3 communities in two municipalities with IDPs offering different agricultural conditions. Ideally one municipality would have IDPs from the 1992 displacement and the other would have IDPs from the 2008 displacement. A summary action plan for this testing, along with a 10-month notional timeline, is as follows:

1. MRA to secure the cooperation of the Ministry of Agriculture and NASP. An existing inter-agency cooperation structure could be used (Months 1-2);

2. Identification of the municipalities and communities therein for program implementation (Months 3-4);

3. Design of a comprehensive communications campaign including public outreach materials, training materials, curricula, and methods for reaching the target population (e.g., radio, public meetings, etc.) (Months 2-4);

4. Initial round of outreach and training, both to educate people about leasing and to identify available land plots (Month 5);

5. Support in the negotiation and signing of lease agreements (Months 5-10);

6. Refinement of public outreach materials, training materials, and curricula (Months 6-7);

7. Publicizing the results of the first effort to sign agreements, and carrying out second round of outreach and training (Month 8);

8. Review of program operations and results, and refinement of the program as needed (Months 9-10).

Finally, it is possible that the land-leasing program will be most efficiently implemented in conjunction with other efforts being pursued by the MRA and/or the Ministry of Agriculture. The review of program operations at the end of the pilot exercise should consider this possibility.
For some time there has been discussion in Georgia about development of a “national land reform strategy.” As of this writing, the strategy is singularly focused upon registering land ownership rights in an effort to (i) “regularize” the rights granted during the 1992-2007 period of agricultural land privatization, and (ii) clearly identify state and municipal land. As such, it is not an attempt to address all land issues, though the registration issue is probably the biggest single land issue that Georgia faces.

Preparation of this strategy is the responsibility of NAPR. NAPR has prepared a draft “land registration strategy for pilot project areas.” The World Bank is supporting development of the strategy, primarily through the Irrigation and Land Market Development Project. The first step is development of a pilot strategy that will be field-tested under that project. From this experience a refined and improved strategy that can be use throughout the country is planned for development.

Issues affecting IDPs have not always received the attention they deserve from various ministries within the Government of Georgia. Moreover, as noted above, IDPs are best served if their needs are addressed within the context of broader programs whenever possible. For these reasons, the consultant’s terms of reference includes the task of formulating recommendations about how the land issues of IDPs may be included in the strategy.

At its core, this question is about how the various ministries cooperate with the MRA, and with each other generally. They have to want to cooperate or it will not happen, no matter what procedural steps can be recommended. Fortunately, it seems that the cooperative climate between ministries on land issues is beginning to improve. For example, Ministry of Agriculture representatives indicated that they are now being consulted on agricultural land privatization questions by the Ministry of the Economy and Sustainable Development, which is responsible for making land privatization decisions through its subsidiary, NASP. This collaboration was confirmed by NASP representatives.

On the particular question of including IDP land issues in the national land reform strategy, an inter-ministerial land commission is in existence, and through this commission the various ministries will have an opportunity to provide input into the draft strategy that NAPR is responsible for preparing. The MRA is represented on the commission thus will have its opportunity.

Two opportunities exist vis-à-vis the strategy, one directly relevant to the land-leasing program and the other relevant to IDPs more generally. Beginning with the former, an effort should be made to coordinate the land-leasing program with the pilot registration activity. The land-leasing program may begin implementation before the registration activity, and the experience gained could be useful to the latter. The land-leasing program could benefit from the registration activity, since the latter will be making boundary corrections and reg-

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VI. Integration of IDP Land Issues into the National Land Reform Strategy

32 The project is scheduled for implementation from 2015-2020. The project plans to spend $2.25 million on land market development activities out of a total budget of $50 million.
istering ownership rights to land parcels which can then be leased as the owners decide.

Second, improved access to land is the foremost land issue of concern to IDPs. The MRA should take initiative to expand the strategy’s scope, since it does seem to be an opportunity to address land issues in a high-profile manner, and such opportunities are rare. Addressing IDP land issues in a manner that will be good for the population generally, and good for agriculture generally, is the best route for the MRA to pursue in order to gain support from other ministries. This support is needed, as this report has said multiple times.
ANNEX 1.
Procedure for Leasing State-Owned Land for Agricultural Purposes

Note: Because a lease of state land under this Annex represents a short-term transfer of state property to the private sector, the request to lease the land should be able to be considered quickly and should not be complicated. This procedure is designed in consideration of these principles.

Procedure for Leasing State-Owned Land for Agricultural Purposes

Article 1. Scope of the Procedure

This Procedure is to be followed in considering a request from a citizen of Georgia to lease a parcel of state-owned land for use in agriculture. The National Agency for State Property (NASP) is the primary state entity to implement this Procedure, with support from the Ministry of Agriculture, the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia (MRA), and the governments of the municipalities.

Article 2. Applying to Lease a Land Plot

A citizen or group of citizens interested in leasing a state-owned land plot shall submit a written request to any office of the NASP or MRA, or to the office of the mayor of the municipality in which the plot is located. The request shall:

- describe the size and location of the land plot;
- describe the citizen’s plan for using the plot, including any work needed to bring the plot into active production. The plot does not have to be legally designated as one for agricultural purpose in order for the citizen to apply to lease it;
- indicate a term for the lease of between one and four years;
- indicate a willingness to pay the land tax; and
- indicate a willingness to pay rent in the amount of three times the land tax; and
- indicate if the citizen is an internally displaced person (IDP) (this information is for statistical purposes only, and is not considered when deciding whether or not to award a lease).

The entity who receives the request shall forward it to the NASP central office within five days.
Article 3. Registration of the Land Plot

If the land plot is not registered by the National Agency of the Public Registry, the NASP shall register it within 45 days.  

Article 4. Consideration of the Request to Lease the Land Plot

The NASP will consider the request to lease the land plot within 21 days after the citizen submits the request. The NASP may extend the period for considering the request by 14 days to account for special circumstances. In such case, the NASP shall notify the citizen of the extension and the reasons for it.

While considering the request, the NASP shall solicit the input of the municipality, the Ministry of the Agriculture and, if the applicant is an IDP, the MRA. Failure of these entities to provide input is not grounds for rejecting a request to lease the land plot.

Article 5. Approval of the Request to Lease a Land Plot

The state shall approve the request to lease a land plot if:

- The land plot is in a condition such that its use for agricultural purposes would not harm it; and
- The state does not have a plan to use or dispose of it within one year after the date of the request. The plan must be in existence before the date of the request for it to be grounds for refusing the request.

If the state fails to respond to the request to lease a land plot within the time limits set forth in Article 4, the request is approved for a one-year period. The one-year period starts on the day the time limits set forth in Article 4 expire.

The lease will be extended automatically for an additional one-year period if the citizen so chooses, unless the state rejects the extension by providing written notice to the citizen no later than 60 days before the end of the one-year period.

Article 6. Completing the Lease Agreement

The state and the citizen shall conclude a lease agreement in writing. The lease shall be registered if its term is more than one year.

As part of the lease agreement, the citizen will pay (i) the annual land tax on the land plot and (ii) annual rent on the land plot in the amount of three times the annual land tax. All other conditions of the lease shall be negotiated between the parties.

33 Note: If the state’s ownership of the land plot is not clear, it will be necessary to provide public notice before registration occurs. The 45-day period proposed here is to allow sufficient time for the notice.
ANNEX 2.
Procedure for Leasing Municipally Owned Land for Agricultural Purposes

**Article 1. Scope of the Procedure**

This Procedure determines the process to be followed in considering a request from a citizen of Georgia to lease a parcel of municipally owned land for use in agriculture. In accordance with the Local Self-Government Code, the municipal government within whose territory the land to be leased is located is the primary government entity to implement this Procedure.

**Article 2. Applying to Lease a Land Plot**

A citizen or group of citizens interested in leasing a municipally owned land plot shall submit a written request to the office of the mayor of the municipality in which the plot is located, or to any office of the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia (MRA). The request shall:

- describe the size and location of the land plot;
- describe the citizen’s plan for using the plot, including any work needed to bring the plot into active production. The plot does not have to be legally designated as one for agricultural purpose in order for the citizen to apply to lease it;
- indicate a term for the lease of between one and four years;
- indicate a willingness to pay the land tax; and
- indicate a willingness to pay rent in the amount of three times the land tax; and
- indicate if the citizen is an internally displaced person (IDP) (this information is for statistical purposes only, and is not considered when deciding whether or not to award a lease).

If the MRA receives the request, it shall forward the request to the office of the mayor of the municipality within five days.

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**Note:** Because a lease of municipal land under this Annex represents a short-term transfer of municipal property to the private sector, the request to lease the land should be able to be considered quickly and should not be complicated. This procedure is designed in consideration of these principles.
Article 3. Registration of the Land Plot

If the land plot is not registered as municipal property by the National Agency of the Public Registry and the municipality wants to register it as municipal property, the municipality shall complete the registration process within the time period established by the Local Self-Government Code.34

Article 4. Consideration of the Request to Lease the Land Plot

The municipality will consider the request to lease the land plot within 21 days after the citizen submits the request. The municipality may extend the period for considering the request by 14 days to account for special circumstances. In such case, the municipality shall notify the citizen of the extension and the reasons for it.

While considering the request, the municipality shall solicit the input of the Ministry of the Agriculture and, if the applicant is an IDP, the MRA. Failure of these entities to provide input is not grounds for rejecting a request to lease the land plot.

Article 5. Approval of the Request to Lease a Land Plot

The municipality shall approve the request to lease a land plot if:

- The land plot is in a condition such that its use for agricultural purposes would not harm it; and
- The municipality does not have a plan to use or dispose of it within one year after the date of the request. The plan must be in existence before the date of the request for it to be grounds for refusing the request.

If the municipality fails to respond to the request to lease a land plot within the time limits set forth in Article 4, the request is approved for a one-year period. The one-year period starts on the day the time limits set forth in Article 4 expire.

The lease will be extended automatically for an additional one-year period if the citizen so chooses, unless the municipality rejects the extension by providing written notice to the citizen no later than 60 days before the end of the one-year period.

Article 6. Completing the Lease Agreement

The municipality and the citizen shall conclude a lease agreement in writing. The lease shall be registered if its term is more than one year.

As part of the lease agreement, the citizen will pay (i) the annual land tax on the land plot and (ii) annual rent on the land plot in the amount of three times the annual land tax. All other conditions of the lease shall be negotiated between the parties.

34 Note: If the municipality’s ownership of the land plot is not clear, it will be necessary to provide public notice before registration occurs.
ANNEX 3.
Model Agreement on Leasing Land for Agricultural Purposes

Note: This model agreement is for illustrative and informational purposes. Georgian law should be consulted, and advice from an attorney be sought, before putting this lease into active use.

Agreement on Leasing Land for Agricultural Purposes

Town of ______________________________

Date: ________________________________

1. The parties to the lease agreement
The parties to the present agreement are:
The land owner (Lessor): __________________________________________________________________________

______________________________________________________________________________
(insert name, identity card number, and address. If the Lessor is the state or a legal entity, insert the name of the relevant ministry/legal entity and name of the person therein who is responsible for the lease)

The Lessee(s) __________________________________________________________________________

______________________________________________________________________________
(insert name, identity card number, and address of each Lessee. If the Lessee is a legal entity, insert the entity’s name and name of person therein who is responsible for the lease)

2. Subject of the lease agreement
The land plot that is the subject of the lease is located near the ____________________ village,
in the ____________________ municipality, in the ____________________ region. The area of the land plot is ___ square meters / hectares___ (circle one).

The land plot is / is not (circle one) registered by the National Agency of the Public Registry (hereinafter “Public Registry”). If the land plot is registered, its cadastral code is _________________. If the land plot is not registered, a map and/or other descriptive information should be attached to the agreement to adequately describe the plot’s location.
The Lessor’s ownership right to the land parcel is shown by the following written documentation (check one box and complete the information):

- The Lessor does not have any written documentation
- The Lessor has a Receive-Delivery Act or land ownership certificate for a land parcel that is not registered in the Public Registry.

Document number: ____________________. Date of issuance: _______________.
Issuing authority: ________________________________________________________.

The Lessor has an extract from the Public Registry
Extract number: ____________________. Date of preparation: _______________.

3. Warranty of ownership

The Lessor warrants that he is the owner of the land parcel that is the subject of the lease, that he has legal authority to conclude the lease with the Lessee, and that the land parcel is free from any encumbrances that restrict the Lessee from using the land and capturing the fruits therefrom. If the Lessor turns out not to be the owner of the land parcel, or if encumbrances exist that restrict the Lessee as described, the Lessor will be liable for damages suffered by the Lessee as prescribed in the law.

4. Rental period

The Lessor hereby rents the land parcel to the Lessee for the period of __________ year(s).
The rental period shall begin on ____________________ and end on ____________________.

5. Rental amount

The Lessee shall pay the Lessor annual rent in the following amount: _________________
_____________________________________________________________________________
_____________________________________________________________________________
_____________________________________________________________________________

(enter monetary amounts and/or types and quantities of in-kind payments. If the rent is expressed as a percentage of production from the land, enter the percentage. Different amounts of rent can be required in different years if the parties so choose.)

The Lessee shall pay the rent by the following date(s) each year: _________________

If the Lessee fails to pay the rent on time, he shall pay interest in the amount of 1.5% per month on the amount of rent due.
6. Payment of land taxes

The Lessee shall / shall not (circle one) pay the land taxes on the land parcel on behalf of the Lessor.

7. Rights and obligations of the Lessor

The Lessor is obligated to deliver the land plot to the Lessee for use on the date the rental period begins. The Lessor shall protect the Lessee's legal rights to use the land plot and shall ensure that no other party uses the land plot.

8. Rights and obligations of the Lessee

The Lessee has the exclusive right to use the land plot, and to take the production therefrom. The Lessee is obligated to use the land plot in accordance with its use purpose, to comply with land-use regulations, and to maintain soil quality and other natural features. The Lessee may sub-lease the land plot only upon the written consent of the Lessor. Upon termination of the lease agreement, the Lessee is obligated to return the land plot to the Lessor in the same condition as it was when the lease agreement was signed.

9. Other conditions (to be completed by the parties as necessary)

_______________________________________________________________________________
_______________________________________________________________________________
_______________________________________________________________________________

10. Termination of the lease agreement

The lease agreement shall terminate upon one of the following events:

• Expiration of the rental period;
• Failure of the Lessor's warranty of ownership as set forth in Section 3 of this agreement;
• Failure of the Lessee to pay rent in full within six months after it is due. Termination of the lease in this case is at the discretion of the Lessor;
• Failure of the Lessee to maintain the soil quality and other natural features of the land plot. Termination of the lease in this case is at the discretion of the Lessor;
• Breach of the lease agreement deemed to be material under the law;
• Expropriation of the land by the state for pressing public needs; and
• Force majeure.

11. Signatures

_________________________   _________________________
(Lessor's signature and date signed) (Lessee's signature and date signed)
12. **Notarization (optional)**

Registration number of the Notary Act: ____________________.

Date of registration of the Notary Act: ____________________.

Type of notary action: Verification of the signatures on the agreement on leasing land for agricultural purposes.

Name of notary: ____________________.

Address of the notary office: __________________________________________________.

Phone number of the notary office: ____________________.

Other legally required information: (to be completed by the notary)

____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________